New Issue – Book Entry Only

Ratings: *Moody's: Aa1*
Fitch: AA+
S&P: AA+
(See "RATINGS" herein)

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

$82,185,000
STATE OF VERMONT
General Obligation Bonds
2021 Series A†
(Competitive)

$31,560,000
STATE OF VERMONT
General Obligation Refunding Bonds
2021 Series B
(Competitive)†

$39,580,000
STATE OF VERMONT
General Obligation Refunding Bonds
2021 Series C
(VERMONT CITIZEN BONDS)‡
(Negotiated)

Dated: Date of Delivery **Due: As shown on the inside cover hereof**

The 2021 Series A Bonds (the "Series A Bonds"), the 2021 Series B Bonds (the "Series B Bonds") and the 2021 Series C Bonds (the "Series C Bonds," and together with the Series A Bonds and the Series B Bonds, the "Bonds") will be issued as fully registered Bonds, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearinghouse for securities transactions. Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates) in the denomination of (i) in the case of the Series A Bonds and the Series B, $5,000 or any integral multiple thereof, and (ii) in the case of the Series C Bonds, $1,000 or any integral multiple thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co., which will remit such payments to DTC participants, which in return will remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 15 and August 15, commencing August 15, 2021. The Series A Bonds will be subject to redemption prior to maturity as more fully described herein. The Series B Bonds and the Series C Bonds will not be subject to redemption prior to maturity.

The Bonds will be general obligations of the State of Vermont and the full faith and credit of the State are pledged to the payment of principal of and interest on the Bonds. See "THE BONDS – Security for the Bonds" herein.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, and to certain other conditions referred to herein and, with respect to the Series A Bonds and the Series B Bonds, in the Official Notice of Sale. Certain legal matters will be passed upon for the Series C Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Public Resources Advisory Group serves as Financial Advisor to the State. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about May 18, 2021.

Morgan Stanley

BofA Securities **Citigroup** **J.P. Morgan**

April 27, 2021 (with respect to the Series A Bonds and the Series B Bonds)
April 29, 2021 (with respect to the Series C Bonds)

† The Series A Bonds and the Series B Bonds were sold on a competitive sale basis as described herein under "COMPETITIVE SALE OF THE SERIES A BONDS AND SERIES B BONDS".

‡ Only the Series C Bonds will be purchased by the Underwriters listed above, as described under "UNDERWRITING OF THE SERIES C BONDS" herein.

$82,185,000
STATE OF VERMONT
General Obligation Bonds
2021 Series A

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258
2022	$4,330,000	5.00%	0.06%	3Y0	2032	$4,325,000	4.00%	1.08%*	4J2
2023	4,330,000	5.00	0.09	3Z7	2033	4,325,000	4.00	1.14*	4K9
2024	4,325,000	5.00	0.17	4A1	2034	4,325,000	4.00	1.19*	4L7
2025	4,325,000	5.00	0.29	4B9	2035	4,325,000	4.00	1.22*	4M5
2026	4,325,000	5.00	0.39	4C7	2036	4,325,000	4.00	1.31*	4N3
2027	4,325,000	5.00	0.56	4D5	2037	4,325,000	2.00	1.70*	4P8
2028	4,325,000	5.00	0.69	4E3	2038	4,325,000	2.00	1.74*	4Q6
2029	4,325,000	5.00	0.81	4F0	2039	4,325,000	2.00	1.78*	4R4
2030	4,325,000	5.00	0.90	4G8	2040	4,325,000	2.00	1.82*	4S2
2031	4,325,000	5.00	0.97	4H6					

$31,560,000
STATE OF VERMONT
General Obligation Refunding Bonds
2021 Series B

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258
2021	$3,235,000	5.00%	0.05%	4T0	2026	$3,145,000	5.00%	0.39%	4Y9
2022	2,900,000	5.00	0.06	4U7	2027	3,210,000	5.00	0.56	4Z6
2023	2,960,000	5.00	0.09	4V5	2028	3,275,000	5.00	0.69	5A0
2024	3,020,000	5.00	0.17	4W3	2029	3,335,000	5.00	0.81	5B8
2025	3,080,000	5.00	0.29	4X1	2030	3,400,000	5.00	0.90	5C6

$39,580,000
STATE OF VERMONT
General Obligation Refunding Bonds
2021 Series C (VERMONT CITIZEN BONDS)

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258
2022	$12,470,000	5.00%	0.08%	5D4	2027	$2,750,000	5.00%	0.62%	5J1
2023	4,365,000	5.00	0.12	5E2	2028	2,800,000	5.00	0.76	5K8
2024	4,385,000	5.00	0.22	5F9	2029	2,845,000	4.00	0.88	5L6
2025	4,395,000	5.00	0.36	5G7	2030	2,870,000	4.00	0.97	5M4
2026	2,700,000	5.00	0.47	5H5					

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* Priced at the stated yield to the first optional call date of August 15, 2031 at a redemption price of 100%. See “THE BONDS – Redemption Provisions” herein.

STATE OF VERMONT
ELECTED OFFICERS

Name

PHILIP B. SCOTT, *Governor*

MOLLY GRAY, *Lieutenant Governor*

ELIZABETH A. PEARCE, *Treasurer*

JAMES C. CONDOS, *Secretary of State*

DOUGLAS R. HOFFER, *Auditor of Accounts*

THOMAS J. DONOVAN, JR., *Attorney General*

BOND COUNSEL
Locke Lord LLP
Boston, Massachusetts

FINANCIAL ADVISOR
Public Resources Advisory Group
Media, Pennsylvania

In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. The securities described in this Official Statement have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Vermont since the date hereof.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

In connection with the offering of the Series C Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. Subject to any restrictions as might be set forth in the Contract of Purchase, the Underwriters may offer and sell the Series C Bonds to certain dealers and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Underwriters of the Series C Bonds have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement (excluding the information related solely to the Series A Bonds and the Series B Bonds) in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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STATE OF VERMONT

$82,185,000
General Obligation Bonds
2021 SERIES A
(Competitive)

$31,560,000
General Obligation Refunding Bonds
2021 SERIES B
(Competitive)

$39,580,000
General Obligation Refunding Bonds
2021 SERIES C
(VERMONT CITIZEN BONDS)
(Negotiated)

INTRODUCTORY STATEMENT

This Official Statement of the State of Vermont (the "State") is provided for the purpose of presenting certain information relating to the State in connection with the sale of $82,185,000 aggregate principal amount of its General Obligation Bonds, 2021 Series A (the "Series A Bonds"), $31,560,000 aggregate principal amount of its General Obligation Refunding Bonds, 2021 Series B (the "Series B Bonds"), and $39,580,000 aggregate principal amount of its General Obligation Refunding Bonds, 2021 Series C (Vermont Citizen Bonds) (the "Series C Bonds," and together with the Series A Bonds and the Series B Bonds, the "Bonds").

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all reference to the definitive forms of the Bonds and their statutory authority.

Payment and Security for the Bonds

The Bonds will be general obligations of the State and the full faith and credit of the State will be pledged to the payment of the principal of and interest on the Bonds. See "THE BONDS – Security for the Bonds" herein.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will mature on each of the dates and years as set forth on the inside cover page of this Official Statement. The Bonds will bear interest from their date until their maturity at the rates per annum set forth on the inside cover page of this Official Statement.

The Bonds will be issued by means of a book-entry system evidencing the beneficial ownership therein in principal amounts of (i) $5,000 or any integral multiple thereof, with respect to the Series A Bonds and Series B Bonds, and (ii) $1,000 or any integral multiple thereof, with respect to the Series C Bonds, on the records of the Depository Trust Company, New York, New York ("DTC") and its Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal and premium, if any, when due, will be payable to each registered owner at the principal office of U.S. Bank National Association, Hartford, Connecticut, as Paying Agent (the "Paying Agent") upon presentation and surrender of the Bonds. Interest on the Bonds will be payable semiannually on February 15 and August 15, commencing August 15, 2021, by check or draft mailed by the Paying Agent to each registered owner, determined as of the close of business on the applicable record date, at its address as shown on the registration books of the State maintained by the Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, principal of and interest on the Bonds will be paid in immediately available funds, directly to DTC or such nominee as registered owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by Participants of DTC will be the responsibility of such Participants and other nominees of beneficial owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Authorization and Purpose

Series A Bonds

The Series A Bonds are authorized to be issued by the State Treasurer, with the approval of the Governor, for various capital purposes of the State pursuant to Chapter 13 of Title 32 of the Vermont Statutes Annotated ("General Obligation Bond Law") and pursuant to specific Acts of the General Assembly. The following statutes and Acts of the General Assembly set forth the capital purposes of the State for which the proceeds of the Series A Bonds (consisting of the aggregate par amount thereof plus original issue premium thereon, if any) are expected to be applied, provided that the State expects that under certain circumstances proceeds of the Series A Bonds, to the extent not expended for the purposes referenced below, may be expended for such capital projects as may be authorized by the General Assembly. See "STATE INDEBTEDNESS – State Indebtedness and Procedure for Authorization." Under State law, the State Treasurer is authorized to transfer unspent proceeds from the sale of bonds, including the Series A Bonds, from the projects for which such bonds were initially issued, to other capital projects of the State heretofore or hereafter authorized by the General Assembly.

Act 26 of 2015 (as amended by Act 160 of 2016)			
Section 11	Natural Resources		$95,415
Act 84 of 2017 (as amended by Act 190 of 2018)			
Section 2	State Buildings		1,252,845
Section 4	Judiciary		1,486,656
Section 6	Grant Programs		549,971
Section 10	Natural Resources		255,546
Section 11	Clean Water Initiatives		5,259,945
Section 13	Public Safety		2,869,011
Act 42 of 2019 (as amended by Act 139 of 2020)			
Section 2	State Buildings		19,871,517
Section 3	Human Services		15,625,455
Section 4	Judiciary		1,481,275
Section 5	Commerce and Community Development		616,385
Section 6	Grant Programs		2,442,923
Section 7	Education		50,082
Section 8	University of Vermont		1,001,637
Section 9	Vermont State Colleges		2,003,275
Section 10	Natural Resources		10,785,680
Section 11	Clean Water Initiatives		20,942,709
Section 12	Military		1,777,772
Section 13	Public Safety		1,981,623
Section 14	Agriculture, Food and Markets		497,424
Section 15	Vermont Rural Fire Protection		149,364
Section 17	Sergeant at Arms		53,405
Section 18	Vermont Housing and Conservation Board		5,588,031
Section 19	Agency of Digital Services		218,536
Act 139 of 2020			
Section 12	Agency of Transportation		1,954,444
		Total:	$98,810,926

Series B Bonds and Series C Bonds

The Series B Bonds and the Series C Bonds are authorized to be issued by the State Treasurer, with the approval of the Governor, pursuant to Section 961 of the General Obligation Bond Law (the "Refunding Bond Act"). The Series B Bonds and the Series C Bonds are being issued to provide funds to refund certain of the State's outstanding general obligation bonds as described under "PLAN OF REFUNDING."

The Refunding Bond Act authorizes the State Treasurer, with the approval of the Governor, to issue general obligation bonds to refund all or any portion of one or more issues of general obligation bonds at any time after the issuance of the bonds to be refunded. The Refunding Bond Act further authorizes the State Treasurer to contract with a bank or trust company to serve as escrow agent for the proceeds of the refunding bonds.

The Refunding Bond Act provides that the portion of the proceeds of refunding bonds deposited with the escrow agent and required for the payment of the bonds to be refunded shall be irrevocably committed and pledged to such purpose and the holders of the refunded bonds shall have a lien upon such moneys and investments, which shall become valid and binding upon the issuance of the refunding bonds, without any further act (including, without limitation, the filing or recording of the escrow contract) and that the pledge and lien upon such moneys and investments shall become valid and binding against all parties having claims of any kind in tort, contract or otherwise, against the State, irrespective of whether such parties have notice thereof.

Security for the Bonds

The Bonds will be general obligations of the State and the full faith and credit of the State will be pledged to the payment of the principal of and interest on the Bonds.

Pursuant to State law, the Treasurer of the State is required to pay the principal of, and interest on, the Bonds as the same become due without further order or authority. The amount necessary each year to pay the maturing principal of, and interest on, the Bonds is required to be included in and made a part of the annual appropriation bill for the expense of State Government. State law requires that principal of, and interest on, the Bonds that may come due before appropriation for the payment thereof has been made are to be paid from the General Fund, the Transportation Fund or other applicable special fund.

For the payment of principal of and interest on general obligation indebtedness, including the Bonds, the State has the power to levy taxes, including taxes on all taxable property and income in the State, without limitation as to rate or amount. For a description of the State's sources of revenues, see "STATE FUNDS AND REVENUES" and for a more complete discussion of the authorization of general obligation bonds and the provisions for payment thereof, see "STATE INDEBTEDNESS – State Indebtedness and Procedure for Authorization" herein.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners at least ten (10) days before the special record date.

Redemption Provisions

The Series A Bonds maturing on and prior to August 15, 2031 will not be subject to redemption prior to maturity. The Series A Bonds maturing after August 15, 2031 will be subject to redemption prior to maturity, at the option of the State, on and after August 15, 2031, either in whole or in part at any time and by lot within a maturity, at a redemption price of 100% of the principal amount of the Series A Bonds to be redeemed, plus accrued interest to the date set for redemption.

The Series B Bonds and the Series C Bonds will not be subject to redemption prior to maturity.

Selection of Bonds to be Redeemed in Partial Redemption

If less than all of the Bonds of a particular series and maturity and bearing interest at a particular interest rate are called for redemption, the applicable Bonds within such series and maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the State by lot or in any customary manner as the State in its discretion may determine.

Notice of Redemption

Notice of redemption of Bonds, specifying the maturities, CUSIP numbers and dates of the Bonds to be redeemed, the redemption date, the redemption prices, expressed as a percentage of the principal amount, and the place or places of payment of the redemption price and the numbers and portions of the Bonds to be redeemed, shall be mailed, postage prepaid, by the Paying Agent not more than 60 days and not less than 20 days prior to the date set for redemption to the registered owners of any Bonds or portions thereof to be redeemed, at their last addresses appearing on the registry books kept by the Paying Agent. Failure to mail such notice to the owner of any Bond will not affect the redemption of any other Bonds. If at any time of notice of any optional redemption of Bonds moneys sufficient to redeem all of such Bonds shall not have been deposited with the Paying Agent, then the notice of redemption may state that it is conditional on the deposit of sufficient moneys with the Paying Agent by the redemption date, and if the deposit is not timely made the notice shall be of no effect. If moneys for the redemption are held by the Paying Agent on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the Bonds (or the portions thereof) called for redemption shall cease to accrue.

PLAN OF REFUNDING

Series B Bonds

The Series B Bonds are being issued for the purpose of providing funds to refund certain of the State's general obligation bonds (the "Series B Refunded Bonds"). The Series B Refunded Bonds will consist of the State's general obligation bonds listed in the following table:

Series B Refunded Bonds

Series	Maturity Date	Interest Rate	Amount to be Refunded	Redemption Date	Redemption Price
2010 Series D-2	08/15/2021	3.400%	$3,750,000	06/17/2021	100%
	08/15/2022	3.600	3,750,000	06/17/2021	100
	08/15/2023	3.900	3,750,000	06/17/2021	100
	08/15/2024	3.950	3,750,000	06/17/2021	100
	08/15/2026†	3.950	7,500,000	06/17/2021	100
	08/15/2027	4.200	3,750,000	06/17/2021	100
	08/15/2028	4.400	3,750,000	06/17/2021	100
	08/15/2029	4.550	3,750,000	06/17/2021	100
	08/15/2030	4.700	3,750,000	06/17/2021	100
			$37,500,000		

† Term bond with mandatory redemption dates in 2025 and 2026.

Upon delivery of the Series B Bonds, the State will enter into an Escrow Agreement (the "Series B Escrow Agreement") with U.S. Bank National Association, Hartford, Connecticut, as Escrow Agent (the "Escrow Agent"). Upon receipt of the proceeds of the Series B Bonds, the Escrow Agent will deposit in the Escrow Fund established under the Series B Escrow Agreement an amount that will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient to pay when due interest on and, on the redemption date, the outstanding principal of and redemption premium, if any, on the Series B Refunded Bonds. The Series B

Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Series B Refunded Bonds.

Series C Bonds

The Series C Bonds are being issued for the purpose of providing funds to refund certain of the State's general obligation bonds (the "Series C Refunded Bonds," and together with the Series B Refunded Bonds, the "Refunded Bonds"). The Series C Refunded Bonds will consist of the State's general obligation bonds listed in the following table:

Series C Refunded Bonds

Series	Maturity Date	Interest Rate	Amount to be Refunded	Redemption Date	Redemption Price
2012 Series A	08/15/2022	3.000%	$350,000	08/15/2021	100%
2012 Series B	08/15/2022	3.000	$2,800,000	08/15/2021	100%
	08/15/2023	3.500	3,150,000	08/15/2021	100
	08/15/2024	3.500	3,150,000	08/15/2021	100
	08/15/2025	3.500	3,150,000	08/15/2021	100
	08/15/2026	3.000	3,150,000	08/15/2021	100
	08/15/2027	3.000	3,150,000	08/15/2021	100
	08/15/2028	3.000	3,150,000	08/15/2021	100
	08/15/2029	3.000	3,150,000	08/15/2021	100
	08/15/2030	3.000	3,150,000	08/15/2021	100
			$28,000,000		
2012 Series D	08/15/2022	5.000%	$3,425,000	08/15/2021	100%
	08/15/2022	2.000	7,500,000	08/15/2021	100
	08/15/2023	5.000	1,930,000	08/15/2021	100
	08/15/2024	5.000	1,915,000	08/15/2021	100
	08/15/2025	5.000	1,895,000	08/15/2021	100
			$16,665,000		

Upon delivery of the Series C Bonds, the State will enter into an Escrow Agreement (the "Series C Escrow Agreement") with the Escrow Agent. Upon receipt of the proceeds of the Series C Bonds, the Escrow Agent will deposit in the Escrow Fund established under the Series C Escrow Agreement an amount that will be invested in Government Obligations maturing in amounts and bearing interest at rates sufficient to pay when due interest on and, on the redemption date, the outstanding principal of and redemption premium, if any, on the Series C Refunded Bonds. The Series C Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Series C Refunded Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in Bonds of such series and maturity to be redeemed, unless other arrangements are made between DTC and the State.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Paying Agent to DTC only.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

The State cannot and does not give any assurance that DTC will distribute to Participants, or that Participants or others will distribute to Beneficial Owners, payments of principal of, interest and premium, if any, on the Bonds, or any other notice or that they will do so on a timely basis or will serve or act in the manner described in this Official Statement. The State is not responsible or liable for the failure of DTC or any Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

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STATE GOVERNMENT

Governmental Organization

The Constitution of Vermont provides for three branches of Government—the Legislative, the Executive and the Judicial. Vermont's statewide elected officers are the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts and the Attorney General. All are elected at general elections for a term of two years, and each may succeed himself or herself in office with no limitation on terms.

The Legislative Branch: The bicameral General Assembly of Vermont convenes biennially with an adjourned session in the biennium. The House of Representatives has 150 members and the Senate has 30 senators. Members of the House of Representatives and Senate are elected for two-year terms in each general election. Bills for the raising of revenues must originate in the House of Representatives but may be amended or rejected by the Senate.

The Executive Branch: All statewide elected officers reside in the Executive Branch. The Governor is responsible for the faithful execution of all laws enacted by the Legislature and the management of the major departments and agencies of the Executive Branch, briefly described as follows:

(1) Agency of Administration: The Agency of Administration centralizes and integrates certain administrative and fiscal functions and activities of State government. The Agency is composed of the Office of the Secretary, the Department of Taxes, the Department of Finance and Management, the Department of Human Resources, the Department of Libraries and the Department of Buildings and General Services.

(2) Agency of Transportation: The Agency of Transportation consists of three functional divisions that are responsible for the planning, design, construction, maintenance and operation of state highways, railroads, and airports; and the Department of Motor Vehicles, which is responsible for the administration of motor vehicle registrations, driver's licenses and other motor vehicle regulations. The Agency of Transportation is responsible for the administration and collection of the motor vehicle purchase and use and motor fuel taxes as well as motor vehicle registrations and renewals and driver's license fees.

(3) Agency of Education: The Agency of Education is under the direction and supervision of the Secretary of Education, who is appointed by the Governor with the advice and consent of the Senate. The Secretary serves at the pleasure of the Governor and is a member of the Governor's cabinet. The principal statutory duties of the Secretary include the following: identifying the educational goals of the public schools, evaluating the program of instruction in the public schools, supervising and directing the execution of the laws relating to the public schools, and supervising the expenditure and distribution of all money appropriated by the State for public elementary and high schools. The Secretary serves on the State Board of Education as a nonvoting member. While not part of the Agency of Education, the State Board of Education evaluates education policy proposals, including those presented by the Governor or the Secretary, engages local school board members and the broader education community, establishes and advances education policy for the State and has the power to establish such advisory commissions as in the judgment of the Board will be of assistance to it in carrying out its duties. The Board also has authority, among other things, to enter into agreements with school districts, municipalities, states and the United States for services, educational programs, or research projects; and to examine and determine all appeals made to it. The Board consists of ten members appointed by the Governor with the advice and consent of the Senate.

(4) Agency of Natural Resources: The Agency of Natural Resources consists of the Office of the Secretary, the Department of Fish and Wildlife, the Department of Forests, Parks and Recreation, and the Department of Environmental Conservation. While not part of the Agency, the Natural Resources Board provides review and permitting for land use and development.

(5) Agency of Commerce and Community Development: The resources of the Agency of Commerce and Community Development are utilized to foster continued improvement in the Vermont economy and provide assistance to Vermont communities in their efforts to plan for the future. The

Agency is composed of the Department of Economic Development, the Department of Housing and Community Development, the Department of Tourism and Marketing, and the Office of the Chief Marketing Officer.

(6) Agency of Human Services: The Agency of Human Services (AHS) administers the programs responsible for meeting the human service needs of Vermont citizens. The Agency is composed of the Office of the Secretary, and the Department of Disabilities, Aging and Independent Living, the Department of Corrections, the Department of Health, the Department of Mental Health, the Department of Children and Families and the Department of Vermont Health Access.

(7) Agency of Digital Services: The Agency of Digital Services (formerly the Department of Information and Innovation) is about providing cost-effective, customer-focused IT services and solutions to enable better government. At the core of the Agency, the Divisions of Shared Services, Data, Security, Enterprise Architecture and Project Management help ensure information technology services are standardized, coordinated, secure and cost-effective across Vermont State government.

(8) Other Agencies and Departments: There are a number of other agencies and departments responsible for other service areas within the Executive Branch as follows: the Agency of Agriculture, Food and Markets; the Department of Financial Regulation (formerly Banking, Insurance, Securities and Health Care Administration); the Department of Labor; the Department of Liquor and Lottery (formerly the Department of Liquor Control and the Lottery Commission); the Military Department; the Defender General; the Department of Public Safety; the Department of Public Service, the Public Utility Commission (formerly the Public Service Board), and the Green Mountain Care Board.

The Judicial Branch: The Judicial Branch of the State is composed of a Supreme Court, a Superior Court consisting of 14 units, one corresponding to each county, and a Judicial Bureau. The Supreme Court has a Chief Justice and four Associate Justices and is the appellate court for the State. The Superior Court has five jurisdictional divisions: Civil, Criminal, Environmental, Family and Probate. There are 32 judges sitting in the Civil, Family and Criminal divisions of the Superior Court, including an Administrative Judge. The Family Division has five magistrates. The Environmental Division has two judges and exercises statewide jurisdiction within the Superior Court. All judges and magistrates are appointed by the Governor with the advice and consent of the Senate for six-year terms. At the end of each six-year term, the question of their continuance in office is submitted to the General Assembly in a process known as retention. The Judicial Bureau has two hearing officers appointed by the Administrative Judge. An elected Assistant Judge with appropriate training may also be assigned to act as a Hearing Officer in the Judicial Bureau or as a side judge in the Civil and Family divisions. The Probate Division has a probate judge in each of the 14 units of the Superior Court. The citizens of each county elect one probate judge to serve in the Probate Division for a term of four years.

There are 14 counties in the State. Their administration consists of two Assistant Judges elected from each county. Other county level officials include a State's Attorney and a Sheriff, each of whom is elected every four years. County Clerks and County Treasurers are appointed by the Assistant Judges. County government is more titular than executor in that the major responsibilities and functions of government pass directly from the State to the cities and towns.

COVID-19 GLOBAL PANDEMIC

Background

On March 10, 2020, the Governor declared a State of Emergency in Vermont due to the COVID-19 pandemic (the "COVID-19 pandemic" or "pandemic"), and subsequently, on March 24, 2020, he issued a "Stay at Home" directive initially through April 15, 2020, and subsequently extended to June 15, 2020. Commencing in May 2020, the Governor began to issue orders allowing for the gradual reopening of the Vermont economy, though still subject to limits and restrictions that inhibit economic activity and accordingly adversely affect State tax revenues. The State of Emergency in Vermont was most recently extended through May 15, 2021.

As of April 15, 2021, there have been approximately 21,664 cases of COVID-19 in the State of Vermont, with only 240 deaths (or 1.1% of all cases). The current number and trends in Vermont COVID-19 cases can be found at https://www.healthvermont.gov/covid-19.

The State is continually updating community mitigation measures and guidance in close consultation with the Vermont Department of Health and based on new information from the Centers for Disease Control and Prevention (CDC) and the World Health Organization (WHO).

Economic, Fiscal and Budgetary Impacts to Date

Economic Impact. Commencing February 2020, the State began to experience the harsh, negative impacts of the COVID-19 pandemic. In response, the State instituted a series of public health and safety measures to address the pandemic similar to what many other states did across the country. The pandemic and the necessary public health measures taken to address it have adversely impacted major parts of the Vermont economy—particularly those relating directly and indirectly to the State's hospitality industry (including the lodging and eating and drinking sub-sectors) and its arts, entertainment, and recreation industries)—due to business closures since the measures took effect, rising unemployment as a result thereof, lost or deferred tax revenues and reduced or limited travel into and within the State. At the peak of the pandemic in April 2020, the State had a 14.8% unemployment rate. Through February 2021, comparative state-by-state labor market data indicate that there were still roughly 30,600 fewer employed State residents as compared to February 2020 (corresponding to the month just prior to the onset of the pandemic), and state labor markets as of February 2021 still had an estimated 27,600 fewer nonfarm payroll jobs compared to February 2020. Although the State has made good recovery progress in its labor markets since the April 2020 low point (with 35,900 jobs recovered), the State still had 43.5% left-to-go of the estimated 63,500 nonfarm payroll jobs total lost since February 2020. However, because of the relatively larger percentage of nonfarm payroll jobs lost by the Vermont economy during in the early stages of the pandemic,[1] the State's overall cumulative job loss total during the pandemic was 8.8%, 2.6 percentage points below the U.S. average relative to the pre-pandemic nonfarm job count peak back in February 2020. See "STATE ECONOMY – Economic Activity" herein for a further discussion of the pandemic impacts on the State and U.S. economies.

In Spring 2020, the State also announced a series steps designed to support "hard-hit" State businesses—including providing tax filing and payment forbearance for certain Sales and Use Tax and Meals and Rooms Tax taxpayers who could demonstrate that they were negatively impacted by the COVID-19 pandemic and the public health measures required to address it. The State also instituted a 90-day moratorium on revenue receipts for motor vehicle registrations, and certain licenses and fees in the Transportation Fund. The State also accepted and mirrored the extraordinary actions of the U.S. Department of Treasury to delay the Personal Income Tax and Corporate Income Tax filing and tax payment "due dates" for various required filings and tax payments from their usual timing during the March through June period to July 15th. These actions helped businesses preserve cash and survive the harsh liquidity challenges caused by the pandemic.

Through the months of May and June 2020, Economic & Policy Resources, Inc. ("EPR"), Williston, Vermont, as the economist for the Administration, and Kavet, Rockler & Associates, LLC ("Kavet," and together with EPR, the "State Economists"), as the economist for the Vermont General Assembly's Legislative Joint Fiscal Office (the "JFO"), conducted bi-weekly consensus revenue forecast risk assessments for all three major state funds relative to the expectations as set forth in the January 2020 Consensus Forecast for fiscal years 2020 through 2022. These revenue risk assessments at the time indicated historic downside risk for State revenues across all three major funds that were linked to the negative impacts associated with the pandemic. In addition, because the State filing and payment dates for both the Personal Income Tax and the Corporate Income Tax were delayed to July 15th, the State, through mutual agreement of the Governor and Legislative leadership, decided to delay the semi-annual consensus revenue forecast update from July to August, to enable the mid-year 2020 consensus forecast update to have the benefit of the initial results of the actual July 15th tax return filings and payments.

Fiscal Impact. The economic disruption of the COVID-19 pandemic, the public health measures taken to combat it, and the delay in the filing and payment "due dates" for the Personal Income and Corporate Income taxes and other state tax-fee forbearance measures resulted in decreased State revenues in fiscal year 2020 as compared to

[1] Along with all of the other New England states which similarly lost a greater than the national average share of their nonfarm, payroll job bases.

budget expectations that were enacted prior to the onset of the pandemic. For the fiscal year ended June 30, 2020, the combined General Fund, Education Trust Fund and Transportation Fund revenues were under the budget plan by approximately $183.9 million, prior to consideration of any "fiscal shift revenues," or approximately 7.5%. See "STATE FUNDS AND REVENUES – GAAP-Based Fund Results" and "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Fiscal Year 2020" herein.

The State, by statute, establishes a consensus revenue forecast each July and the following January unless the Emergency Board members elect to change this schedule or request to have more frequent revenue forecasts due to fiscal management needs. See "REVENUE ESTIMATES" herein. On January 16, 2020, the Emergency Board met and approved consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal years 2020 through 2022 (the "January 2020 Consensus Forecast"). The January 2020 Consensus Forecast approved (i) an "Available to the General Fund" consensus revenue forecast of $1,594.7 million for fiscal year 2020, which amount includes a forecasted $274.5 million in health care taxes, fees, and assessments "Available to the General Fund," (ii) an "Available to the Transportation Fund" consensus forecast of $284.5 million for fiscal year 2020, (iii) and an "Available to the Education Fund" consensus forecast of $557.5 million for fiscal year 2020. The January 2020 Consensus Forecast was a current law forecast for all fiscal years, and was completed just prior to the onset of the COVID-19 pandemic. Over the period just prior to that January 2020 Consensus Forecast, the U.S. and Vermont economies had both been benefitting from the relatively strong economic growth associated with the longest economic upturn in recorded economic history. Actual State revenue collections and the consensus forecast for fiscal years 2020 through 2022 reflected that historically prolonged period of economic expansion, and carefully balanced downside and upside risk regarding the possibility of an economic downturn some time over the January 2020 Consensus Forecast's two-and-one-half year time horizon. In comparison to the previous consensus revenue forecast update approved in July 2019 (the "July 2019 Consensus Forecast"), the January 2020 Consensus Forecast overall included modest revenue forecast upgrades for both the General Fund and the Education Fund. The January 2020 Consensus Forecast also included fine-tuning changes to individual revenue sources within the Transportation Fund for fiscal years 2020 through 2022, but left the overall forecasted total of revenues available to the Transportation Fund largely unchanged from the July 2019 Consensus Forecast.

During the February-April period in calendar year 2020, the State began to experience the harsh, negative impacts of the COVID-19 pandemic, and instituted a number of public health and safety measures, as well as economic measures to support "hard hit" State businesses, as noted above. Through the months of May and June 2020, the State Economists conducted bi-weekly consensus revenue forecast risk assessments for all three major state funds relative to the expectations as set forth in the January 2020 Consensus Forecast for fiscal years 2020 through 2022. These revenue risk assessments at the time indicated historic downside risk for State revenues across all three major funds that were linked to the negative impacts associated with the pandemic. Because the State filing and payment dates for both the Personal Income Tax and the Corporate Income Tax were delayed to July 15th, the State, through mutual agreement of the Governor and Legislative leadership, decided to delay the semi-annual consensus revenue forecast update from July to August, to enable the mid-year 2020 consensus forecast update to have the benefit of the initial results of the actual July 15th tax return filings and payments.

That mid-year consensus revenue forecast update was completed and approved by the Emergency Board on August 12, 2020 (the "August 2020 Consensus Forecast"). The August 2020 Consensus Forecast included an unprecedented $274.4 million aggregate consensus forecast downgrade for fiscal year 2021 across all three major funds (the General Fund, Transportation Fund and Education Fund), as the State continued to work through the many unknowns of the pandemic. The August 2020 Consensus Forecast was developed with only three months of initial data regarding the pandemic's impact on the economy and State revenues, and included full consideration of the sharp and fast decline in State and national labor markets. At the time, there was little information regarding the potential impacts of the first round of federal pandemic assistance relief legislation provided by the CARES Act (as defined and discussed below), and so those potential impacts did not heavily influence the forecast. See "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2021 Forecast" herein.

Subsequent to the adoption of that forecast, however, over the July 2020 to December 2020 period, State revenues across all major operating funds performed significantly better than the significantly diminished revenue expectations that were laid out in the August 2020 Consensus Forecast. Across all three State operating funds overall, cumulative revenue receipts through the first half of fiscal year 2021 combined to off-set nearly 60% of the three-fund $274.4 million consensus revenue forecast downgrade for fiscal year 2021 set forth in the August 2020 Consensus Forecast. See "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2021 Forecast" herein. The stronger than expected consumption tax receipts activity during the first half of fiscal year 2021 is believed to be a reflection of the unprecedented amount of direct and indirect federal fiscal household income support through the federal CARES Act legislation. See "COVID-19 GLOBAL PANDEMIC – Federal Fiscal Aid" below.

On January 19, 2021, the Emergency Board met and approved updated consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal years 2021 through 2022 (the "January 2021 Consensus Forecast"). The January 2021 Consensus Forecast included a $254.3 million aggregate consensus forecast upgrade for fiscal year 2021 across all three major funds (the General Fund, Transportation Fund and Education Fund), reflecting (1) the continuing impacts of the pandemic, and (2) the federal fiscal and monetary policy responses to it. Through the first seven months of fiscal year 2021, combined General Fund, Education Fund, and Transportation Fund receipts were up by $11.8 million versus revised consensus expectations. For additional information on the January 2021 Consensus Forecast and fiscal year 2021 results to date, see "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2021 Forecast", "– Fiscal Year 2021 General Fund, Transportation Fund and Education Fund Results to Date" and "– Fiscal Year 2022 – Forecast."

Budgetary Impact. State GAAP based operating results for fiscal year 2020 show $2,273.3 million of revenues from federal funds, which represents and increase of $267 million from the amount received in fiscal year 2019. Of this increase, $239 million was directly related to the COVID-19 pandemic. Approximately $154 million of fiscal year 2020 reported revenue was received as Coronavirus Relief Fund ("CRF") monies provided by the federal CARES Act legislation (See "Federal Fiscal Aid" below), along with another approximately $84.5 million of other COVID-related federal funds related to the public health emergency.

The budgetary impact of federal pandemic assistance to the State has played an even larger role during fiscal year 2021, with CRF appropriations totaling approximately $900 million as of March 2, 2021, the date of enactment of the 2021 Budget Adjustment Act (as defined herein). While this certainly represents a significant sum, the expenditure of these funds is restricted by federal rules limiting State use to COVID-related expenditures, and forbidding its use by the State for revenue replacement (even if the revenue loss was attributable to the pandemic). Consequently, while federally funded pandemic assistance to the State has played a significant role in offsetting incremental expenses related to the pandemic, as well as in providing economic support for adversely affected constituents, these funds have not been a structural component of base budget expenditures. The Governor's Recommended Budget for fiscal year 2022 does not incorporate the appropriation of CRF monies or other federal pandemic assistance funds (i.e., expected receipts from the ARP (defined below)). Indeed, federal pandemic assistance programs that constitute economic assistance to individuals and businesses have a much greater State budgetary impact (by ensuring the stability of tax revenues) than any direct support received by the State for base budget expenses. For more information on the Governor's Recommended Budget for fiscal year 2022, see "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Fiscal Year 2022 Budget Proposal."

Federal Fiscal Aid

CARES Act. The State has thus far received several sources of federal funding to help cover the unexpected costs incurred by the State due to COVID-19. The United States government has been taking and continues to take legislative and regulatory actions and implement measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The $2 trillion Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which became law on March 27, 2020, was the first of these legislative actions to address the crisis created by the COVID-19 pandemic and included among its relief measures direct aid for states and municipalities, including the State.

The CARES Act contained $1.25 billion in CRF money for Vermont. The CARES Act funds are being utilized to cover emergency expenses of the State incurred due to the response to the COVID-19 pandemic, as well as to provide economic relief to Vermont small businesses and non-profits that have had COVID-19 related expenses or have lost revenue as a result of the pandemic. On April 17, 2020 the State received an initial payment of $625 million in CRF funding to help defray COVID-19 costs, and it subsequently received the additional $625 million on April 20, 2020. The CARES Act provides that CRF funds may be used for costs incurred in connection with responding to COVID-19 between March 1, 2020 and December 30, 2021, and the funds also can be used to cover any State match portion of costs reimbursed by FEMA. In addition to many other provisions, the CARES Act also provided for federal stimulus payments of $1,200 per individual ($2,400 for a joint return) with a phase out after a certain adjusted gross income level.

To date, the State has passed over 14 separate pieces of legislation providing for COVID relief to Vermont citizens. These include grant assistance programs for business assistance, housing, telecom connectivity, municipal assistance, agriculture and forestry and healthcare and human services. These programs have been almost exclusively funded with federal funds received from the CARES Act.

COVID Relief Act. On December 27, 2020, the $900 billion Coronavirus Response and Relief Supplemental Appropriations Act (H.R. 133) (the "COVID Relief Act") was signed into law. While the COVID Relief Act did not include direct aid for states and municipalities, it did include an additional federal stimulus payment of $600 per individual ($1,200 for a joint return) with a phase out after a certain adjusted gross income level, which could provide further indirect support for the Vermont economic recovery.

ARP. Most recently, on March 11, 2021, the American Rescue Plan Act of 2021 (H.R. 1319) (the "ARP"), a $1.9 trillion COVID-19 relief package, was signed into law. The ARP includes $350 billion in additional CRF aid for state and local governments, including the State, along with additional funding for other areas like education, rental assistance and transit. Of this amount, the State expects to receive approximately $2.7 billion, including nearly $1.3 billion in direct aid to the State and approximately $197.5 million to be received by Vermont municipalities, based on the formulas set forth in the ARP. The ARP also includes $10 billion for Coronavirus Capital Projects Fund, which will provide for payments to states, territories and tribal governments for critical capital projects that would directly enable work, education and health monitoring, including remote operations, in response to the pandemic. The ARP contains a broad definition of allowable uses, including lost revenue (but limited to revenue loss due to the pandemic relative to the fiscal year prior to the start of the pandemic), negative economic impact of the pandemic, and necessary investments in water, sewer or broadband infrastructure. Notably, ARP funds may not be used to offset tax cuts or delay a tax, nor can these funds be deposited into a pension fund. The ARP requires all allocated funds to be used by December 31, 2024.

The ARP also includes additional grant funding for state education agencies to assist with school reopening plans and addressing learning loss, transportation and infrastructure assistance (including funding for vaccination efforts), and an additional round of direct stimulus checks to households in the amount of $1,400 per individual ($2,800 for a joint return) with a phase out after a certain adjusted gross income level.

The State legislature continues to work through the best approach for administering the above-described federal funding, as well as available State resources, to facilitate its response to the ongoing health pandemic. While several bills are circulating between the House and the Senate that would appropriate portions of the funding, the Governor on April 14, 2021, presented to the Legislature a comprehensive plan that would invest the ARP money in five major areas: economic development, climate change, water and sewer infrastructure, housing, and broadband. The plan, with total appropriations over four fiscal years of $1.025 billion, focuses on longstanding challenges—broadband connectivity in rural areas, water and sewer infrastructure to support commercial and residential development, electrification of the State's transportation sector to combat climate change, and new and rehabilitated housing for low-income families—and steers clear of programmatic initiatives that require ongoing funding and would pressure base spending. The State cannot predict at this time whether and in what form the Governor's plan and/or any of the legislative proposals will ultimately be signed into law. The Administration and the Legislature remain committed to working together to achieve the common goal of ensuring the effective use of the federal pandemic relief-assistance funds to assist Vermonters through the ongoing pandemic and ensure a strong and resilient State economy in the future.

In addition to the CARES Act, the CRRSAA and the ARP noted above, additional federal support may become available, but the State cannot predict when or if additional support will be made available.

Impact of Federal Aid on the State. Over the course of calendar year 2020, the State has directly and indirectly received a disproportionately large share of federal fiscal pandemic relief-assistance funds from the CARES Act and the COVID Relief Act, on a per capita basis. According to the non-partisan Peter G. Peterson Foundation,[2] which has made state-by state estimates of the amount of federal fiscal pandemic relief-assistance funding received directly and indirectly by each state, Vermont has received, or has been approved to receive, a total of $5.657 billion from these two major federal fiscal pandemic relief-assistance legislative measures. This amount of approved federal pandemic relief-assistance totaled nearly $9,100 per resident in the State. If the estimated $2.7 billion in additional federal fiscal pandemic relief-assistance funds from the ARP is added to that total,[3] the amount of direct and indirect federal fiscal pandemic relief-assistance monies already received and/or approved but in-progress to the State is expected to total nearly $8.36 billion, or approximately $13,400 per State resident received or to be received and spent in total over a two- to three-year period. That level of federal support amounts to just under 25% of the entire current dollar annual output of goods and services for the entire State economy,[4] and represents a total that is more than three times the annual pre-pandemic, current dollar value of total output for the entire Leisure and Hospitality super-sector[5] portion of the Vermont economy—which has likely been the hardest hit part of the State economy.[6]

This huge boost from the federal fiscal pandemic relief-assistance dollars, along with large amounts of federal fiscal pandemic relief also flowing to many of the states surrounding Vermont, constitutes a large, positive economic driver that is now underpinning much of the recovery in economic activity across the State and the entire New England region. It also allowed the State to maintain State revenue flows to a much higher degree than would have otherwise been the case. Considering the significant, positive multiplier effects typically associated with this type of deficit-financed federal fiscal spending, it is likely that these dollars will push the State's economy forward for significant parts, if not all, of the next three calendar years.

Liquidity

The State has budget reserves that it currently believes will be adequate, together with anticipated sources of federal aid (as discussed under "Federal Fiscal Aid" above) to maintain operations, and the State's current cash position is projected to be sufficient without the need for external borrowings. The State is continually assessing its cash requirements and has the statutory authority to seek external sources of liquidity if needed.

Conclusion

The full financial impact of the COVID-19 pandemic on the State, its economy, and its financial position will likely change significantly as circumstances and events evolve. The State cannot at present project with any reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position nor is it possible to predict the short-term and long-term impacts of the COVID-19 pandemic on the Vermont economy and all levels of government. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the State.

STATE ECONOMY

General

Vermont, which is known as the Green Mountain State, was first settled in 1666 when the French built Fort St. Anne on Isle LaMotte in Lake Champlain. The first English settlement was in 1690 at a location that is now the southern Vermont town of Vernon. Vermont ratified the United States Constitution on January 10, 1791 and joined the Union as the fourteenth State on March 4 of the same year. Rural in character, Vermont measures 9,615 square miles (including land and water area), ranking the State 45th in terms of land and water area among the 50 states. In

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[2] See https://www.pgpf.org/understanding-the-coronavirus-crisis/coronavirus-funding-state-by-state.
[3] As estimated by the Office of U.S. Senator Patrick Leahy, Chair of the Appropriations Committee of the U.S. Senate.
[4] Using the pre-pandemic 2019 output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce; See https://www.bea.gov/data/gdp/gdp-state.
[5] Which includes the accommodations, food service, entertainment, and recreation subsectors.
[6] Using the pre-pandemic 2019 output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce for this sector.

terms of land area only, Vermont's 9,249 square miles ranks it 43rd among the 50 states. Vermont's population as measured by the last decennial Census on April 1, 2010 was 625,741, ranking the State 49th among the fifty states—unchanged from the 2000 and 1990 Censuses (U.S. Bureau of the Census). The State capital is Montpelier, with a population of 8,035 as of April 1, 2010. The State's largest cities and towns as of the 2010 Census were the City of Burlington, population 42,417; the Town of Essex, population 19,957; the City of South Burlington, population 17,904; the Town of Colchester, population 17,067; the City of Rutland, population 16,495; and the Town of Bennington, population 15,764.

Demographic Trends

Mid-year estimates from the U.S. Bureau of the Census for 2020 (the most recent data available) show that Vermont's population decreased by an estimated 699 persons between July 1, 2019 and July 1, 2020, representing a 0.1% rate of population loss. In comparison, the U.S. as a whole experienced an estimated 0.4% rate of increase in the nation's resident population, and the New England region experienced a slight 0.01% rate of population decrease. Over the 20-year period between July 1, 2000 and July 1, 2020, Vermont had an estimated growth of 13,729 resident persons or an average yearly rate of 0.1% per year. This growth experience was somewhat slower than the 0.3% rate of growth per year for the New England region and the 0.8% national growth rate over the same 2000-2020 period. The resident population change experienced in Vermont over the past 20 years is slower than that of the 1970s and 1980s, as the State's population has aged and fertility rates have declined. This is consistent with declining birthrates and slow population growth across the New England region as a whole, and is consistent with national declining birth rate trends that have been characteristic of key demographic categories that make up the State's population.

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Table 1
Comparative Population Growth
Vermont, New England, United States
1970–2020

	----------Vermont----------		----------New England[1]----------		----------United States---------	
Year	Population[2] (in Thousands)	Annual Percent Increase/ Decrease Over Preceding Period[3]	Population[2] (in Thousands)	Annual Percent Increase Over Preceding Period[3]	Population[2] (in Thousands)	Annual Percent Increase Over Preceding Period[3]
2020	623	(0.1)%	14,847	(0.0)%	329,484	0.4%
2019	624	(0.1)	14,850	0.1	328,330	0.5
2018	625	(0.1)	14,840	0.2	326,838	0.5
2017	625	0.1	14,807	0.3	325,122	0.6
2016	624	(0.2)	14,765	0.2	323,072	0.7
2015	626	0.0	14,735	0.2	320,739	0.7
2014	626	(0.1)	14,708	0.4	318,386	0.7
2013	627	0.0	14,649	0.4	316,060	0.7
2012	626	(0.1)	14,594	0.4	313,878	0.7
2011	627	0.2	14,533	0.4	311,583	0.7
2010	626	0.2	14,470	0.5	309,322	0.8
2009	625	0.1	14,404	0.4	306,772	0.9
2008	624	0.1	14,340	0.4	304,094	1.0
2007	623	0.1	14,279	0.2	301,231	1.0
2006	623	0.3	14,246	0.2	298,380	1.0
2005	621	0.2	14,217	0.1	295,517	0.9
2004	620	0.3	14,207	0.2	292,805	0.9
2003	618	0.4	14,182	0.4	290,108	0.9
2002	615	0.5	14,122	0.6	287,625	0.9
2001	612	0.4	14,041	0.7	284,969	1.0
2000	610	0.8	13,950	0.5	282,162	1.2
1990	565	1.0	13,230	0.7	249,623	0.9
1980	513	1.4	12,372	0.4	227,225	1.1
1970	446	--	11,878	--	203,799	--

[1] The New England states are: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
[2] All population estimates are as of July 1 of the year indicated.
[3] For 2001 through 2020, the annual percentage increase is calculated versus the previous year. For 1980, 1990 and 2000, the annual percentage increase is the average annual increase during the preceding ten-year period.
SOURCE: U.S. Department of Commerce, Bureau of the Census.

Data from the U.S. Bureau of the Census indicate that in 2019 (the latest data available) the median age of the Vermont population was 43.0 years, 4.6 years older than the national average median age of 38.4 years. Among the various age groups, Vermont had a proportionally higher concentration of persons in the 18 years and older age category (at 81.7% of the State's population versus 80.4% of New England's population and 77.7% of the total population of the United States) in 2019. Vermont had a below average age concentration in the under 5 years age category (at 4.7% of the State's total population) relative to both the New England average (at 5.1% of the New England regional population) and the U.S. average (at 6.0% of the total U.S. population)—reflecting its lower birth rates. The percentage of Vermont's population in the over 65 years age category (at 20.0% of the State population) in 2019 was higher than that for the U.S. population as a whole (at 16.5% of the U.S. population overall) in 2019, and the New England average (at 17.9% of the total). In addition, the percentage of Vermont's population in 2019 aged 45-64 years (at 27.8% of the State's population) was higher than both the percentage of the New England regional population (at 27.4% of the total) and the U.S. population overall (at 25.4% of the total) in 2019. Vermont had slightly more of its population in the 85 years and older category (at 2.3% of the State total) relative to the U.S. population (at 2.0% of the U.S. population) in 2019, but a slightly lower percentage than the New England region overall (at 2.4% of the New England regional population) in 2019.

As reflected in Table 2 below, the Vermont population in 2019 (the latest data available) had a significantly higher level of educational attainment than the U.S. population as a whole according to the latest data from the U.S. Bureau of the Census (2019 American Community Survey).

Table 2
Educational Attainment Vermont and U.S.
Persons Aged 25 Years and Over
As of Calendar Year 2019

Level of Education	Percent of Vermont Population	Vermont Rank in U.S.	Percent of U.S. Population
HIGH SCHOOL:			
High School Graduate or More	93.1%	8th	88.6%
COLLEGE:			
Bachelor's Degree or More	38.7%	8th	33.1%

SOURCE: U.S. Department of Commerce, Bureau of the Census; 2019 American Community Survey.

Data from the U.S. Bureau of the Census for 2019 (the latest data available) also indicate that Vermont's population remains primarily rural in character. A total of 64.7% of the State's population lived outside of the State's single metropolitan area—the second highest percentage among the 50 states after Wyoming with 69.0%. Vermont's percentage of persons living outside of metropolitan areas as of July 1, 2019 was over four times the national and New England average percentages and over eight times the average percentage for the northeastern United States.

Table 3
Metropolitan vs. Non-Metropolitan Area Populations
As of July 1, 2019

	Metropolitan Population		Non-Metropolitan Population	
	Total (in Thousands)	Percentage	Total (in Thousands)	Percentage
United States	283,534	86.4%	44,705	13.6%
Northeast[1]	51,517	92.0	4,466	8.0
New England	13,185	88.8	1,660	11.2
Vermont	220	35.3	404	64.7

[1] The northeast states include all six of the New England states and the states of New York, New Jersey and Pennsylvania.
SOURCE: U.S. Department of Commerce, Bureau of the Census, Geography Division.

Property Valuation

The Vermont Department of Taxes, through its Division of Property Valuation and Review, annually conducts a study of all the grand lists (i.e., tax rolls) prepared by the municipalities in the State. The purpose of this study, commonly known as the "Equalization Study," is to derive estimates of the fair market value of all of the property in the State. These values are then used as one of the primary factors to determine each municipality's school property tax rates. Since most municipalities' grand lists are not at the statutorily required 100 percent fair market value standard in any given year, the study attempts to bring all municipalities' grand lists to 100 percent of market value, thereby "equalizing" the tax rolls statewide.

In general, equalized property values were determined by comparing grand list values to real estate sales or property appraisals and deriving the ratio representing the level of appraisal for each municipality. The resulting estimates of full property value in each municipality were then aggregated to derive an estimate of the market value of all taxable property in the State.

Changes to Vermont law due to Act 178 of the 1996 Session of the General Assembly (changing the agricultural and forest taxation program to reflect the value of property based on its "Current Use") and Act 60 of the 1997 Session (changing the method of education financing in Vermont) altered the nature of determining the value of taxable property under Vermont law. The changes had the following effects: (1) the Current Use program requires municipalities to assess property enrolled in that program at their "use" value as opposed to market value; and (2) the definition of taxable property now reflects only the total fair market value or use value of property that is subject to taxation for school purposes.

The State's Current Use program provides for property taxation of active agricultural land, farm buildings, conservation and managed forest land at their productive use value rather than fair market value. Use value is almost always lower than market value resulting in lower values included in the grand lists. Changes in the composition of the grand list under Act 60 also reduced the value of total taxable property for funding schools. This resulted primarily from the exemption of personal property such as machinery and equipment from the education property tax.

Table 4 sets forth the fair market value of all taxable property in the State as certified by the Division of Property Valuation and Review from 1990 to 1995 and comparable estimates for tax years 1997 through 2020 (the most recent data available). The State experienced a significant increase in estimated fair market value between 2002 and 2008 largely due to strong price appreciation in residential, commercial, and second home markets. Residential price appreciation, second home price appreciation, and valuations for some commercial properties first slowed and then declined during the 2007-2009 national economic recession. Since the most recent recessionary housing price trough, values have recovered in Vermont and have continued to increase despite the sharp economic downturn in early calendar year 2020 caused by the COVID-19 pandemic.[7] The estimates from 1997–2020 include an estimate of the fair market value of property enrolled in the Current Use Program. The current use values have been estimated by, but have not been certified by, the Division of Property Valuation and Review of the Vermont Department of Taxes. The estimates are based on a weighted average of the statewide municipal Common Level of Appraisal (CLA) and are not a calculation at the parcel or town-wide level.

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7 During the period, housing prices in Vermont as measured by the Federal Housing Finance Agency (FHFA) Home Price Index have increased by 24.5% from their last cyclical low during the second quarter of calendar year 2012 through the fourth quarter of calendar year 2020. The FHFA Housing Price Index for Vermont was up by 16.3% from its last cyclical price peak in the first quarter of calendar year 2008 through the fourth quarter of calendar year 2020. The Vermont housing price increase as measured by the FHFA Index since the previous cyclical peak through the fourth quarter of calendar year 2020 ranked third highest in the New England region, after the states of Maine (up 22.8% since its last cyclical peak), Massachusetts (up 21.2% since its last cyclical peak), and New Hampshire (up 17.3% since its last cyclical peak). Over the past year through the fourth quarter of calendar year 2020, Vermont housing prices as measured by the FHFA Index were up by 7.0%, ranking the State third highest among the six New England states. During the current housing price cycle, Vermont was the third New England state to complete its housing price recovery from the sharp, mid-2000s housing price downturn—behind only Massachusetts (which ranked first) and Maine (which ranked second). Housing prices in the State of Connecticut through the fourth quarter of calendar year 2020 have not recovered from their previous peak (down 6.6% relative to their last price peak through the fourth quarter of calendar year 2020).

Table 4
Equalized Property Values
1990–2020

Equalization Date As of April 1,	Fair Market Value
2020**	$92,176,067,485
2019**	89,408,479,430
2018**	87,143,027,744
2017**	85,377,824,901
2016**	83,996,280,491
2015**	82,906,587,230
2014**	81,826,687,038
2013**	81,163,612,629
2012**	82,568,773,344
2011**	83,636,887,446
2010**	85,260,877,760
2009**	86,705,197,176
2008**	84,799,241,954
2007**	79,214,611,562
2006**	72,513,809,335
2005**	64,306,356,880
2004**	56,756,181,626
2003**	51,168,536,723
2002**	46,929,258,396
2001**	43,942,727,721
2000**	41,358,590,703
1999**	39,053,369,590
1998**	38,967,094,160
1997**	38,399,375,459
1995*	37,558,139,758
1993*	36,471,723,016
1992	36,766,102,513
1991	35,286,508,007
1990	31,300,748,717

* Beginning in 1993, the Fair Market Value and Assessed Value of all taxable property in the State were equalized every two years. Beginning in 1998, equalization studies were again conducted annually by the Division of Property Valuation and Review.

** Estimated, based on an estimate for the difference between the Fair Market Value and the Use Value of property enrolled in the Current Use Program. The estimated fair market value of property exempted due to enrollment in the Current Use Program was $744.8 million in 1997, $792.3 million in 1998, $816.7 million in 1999, $866.1 million in 2000, $924.4 million in 2001, $1,157.9 million in 2002, $1,205.0 million in 2003, $1,661.1 million in 2004, $1,853.7 million in 2005, $2,155.0 million in 2006, $2,458.8 million in 2007, $2,726.6 million in 2008, $2,938.6 million in 2009, $3,028.7 million in 2010, $2,983.0 million in 2011, $3,003.0 million in 2012, $3,030.4 million in 2013, $3,040.2 million in 2014, $2,988.5 million in 2015, $2,992.8 million in 2016, $3,016.1 million in 2017, $3,034.8 million in 2018, $3,011.7 million in 2019 and $3,004.9 million in 2020.

SOURCE: Vermont Tax Department, Division of Property Valuation and Review, Annual Report.

Economic Activity

The opinions set forth in this section are provided by EPR based upon such firm's independent evaluation of economic information and trends in the State of Vermont and the United States. The firm serves as a consultant to the State of Vermont Agency of Administration with responsibilities as to matters of the analysis of economic trends and economic forecasting, as well as providing technical forecasting services to the State with respect to the various short-term and longer-term consensus revenue estimating processes performed pursuant to Vermont statute.

The description of the economic forecast for the United States and Vermont is based on the same underlying forecast contained under "The Moody's Analytics National Economic Forecast Assumptions" herein that is provided by Moody's Analytics of West Chester, Pennsylvania, as adjusted by the consensus revenue forecasting process between EPR, as the economist for the Administration, and Kavet, as the economist for the JFO. When available, the consensus forecast utilizes the State economic forecast developed as part of the State's participation in the New England Economic Partnership ("NEEP"), a regional, non-profit economic forecasting group affiliated with leading private sector businesses in New England, major academic and financial institutions in the region, and the Federal Reserve Bank of Boston. NEEP forecasts for the State and the other New England states have been developed and published only intermittently since calendar year 2016. Because of the reduced availability of the NEEP annual economic forecasts for Vermont and the other states in the New England Region, the State economic forecast through calendar year 2023 as part of the State's consensus forecasting process was developed using an online modeling capability provided by Moody's Analytics as jointly subscribed to by the JFO and the Administration. The online forecasting capability from Moody's Analytics allows timely, customized State forecasts with modeling capability similar to the historic capability provided through NEEP. This more Vermont-focused forecasting approach, however, does not include forecasted regional comparison data and forecasted data for the individual New England states, which was typically available for the State with its participation in the NEEP forecasting group. The State macroeconomic forecast (described below) was developed cooperatively by the Administration through its association with EPR and the JFO through its association with Kavet. For more information on the consensus revenue forecasting process, see "REVENUE ESTIMATES" herein.

The U.S. Economic Situation: The State's recent updated consensus economic and revenue forecast was completed in a national economic environment that recently has been dominated by: (1) the effects of the COVID-19 pandemic, and (2) an equally unprecedented level of federal fiscal pandemic relief-assistance, largely financed by federal deficit spending, that has been designed to help provide relief from disruptive economic effects associated with the pandemic. Combined with the extraordinary monetary policy measures recently implemented by the Federal Reserve,[8] both the national and State near-term economic outlooks have been significantly altered from their pre-pandemic outlooks. At the same time, this confluence of events has come together to reshape—at least temporarily—the linkages between the national and State economies and the way in which many sources of State revenues are raised and paid into the State treasury.

The recent economic developments and activity surrounding the pandemic have also resulted in perhaps the most bifurcated U.S. economy in recent history, with different sectors of the economy having been impacted to varying degrees by the public health crisis and the public health initiatives that have been implemented to address it. On the lower tier, there is a group of harshly and negatively impacted businesses-sectors, including those that did not have the flexibility to alter their business operating model to accommodate the effects of the virus (e.g. through either alternative e-commerce applications and/or the ability to utilize a "work at home" option).[9] On the upper tier, there is a group of businesses-sectors that had enough flexibility in their business operating model to adapt to and minimize the economic damage caused by the pandemic (e.g. by utilizing e-commerce applications and/or allowing workers to work remotely). In fact, there are some businesses that have been able to innovate and actually increase their business activity levels as the pandemic has unfolded.

This dichotomy has become part of a narrative that has been used to describe the character of the U.S. economy's recovery from the sharp, pandemic-induced downturn in Spring 2020. Known as the so-called "K-shaped" recovery, this narrative sharply contrasts with the usual discussions the surround economic recoveries which usually devolve into a debate about whether a recovery will take the shape of a "V" (which refers to a sharp

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[8] Reportedly designed to maintain liquidity and back-stop overall risk during the COVID-19 pandemic and its aftermath.

[9] Such as the Leisure and Hospitality, Entertainment and Recreation, "Bricks and Mortar" Retail, and Transportation-Public Transit sectors.

decline down and a fast recovery out of the economic downturn), a "U" (which describes a slower decline with a rounded bottom to activity followed by a slower, but still moderately paced recovery out of the economic downturn), or an "L" (which typically describes a significant and broad-based downturn in the economy followed by a disappointingly slow-paced recovery out of the economic downturn). Although many analysts at the beginning of the recovery from the pandemic-induced downturn in Spring 2020 were discussing the prospects for a "V-shaped" recovery for the U.S. economy, the more unusual "K" shaped, bifurcated economic recovery has taken over as perhaps the most accurate narrative describing the atypical, two-tiered characteristics of the current U.S. economy's recession-recovery progression to date.

Since the onset of the COVID-19 pandemic, it has been widely recognized within State government that the very serious economic dislocations brought about by the pandemic cannot be adequately addressed unless and until there is a solution to the epidemiologically-based public health issues associated with the COVID-19 virus. While recent epidemiological trends nationally, regionally, and in some parts of the State indicate that significant challenges remain over at least the near term, the State believes that it will achieve a sufficient level of public health protection by Fall 2021, based on vaccination estimates and assuming adequate federal vaccine supplies. At that point, there may be a sufficient recovery in the public confidence that will allow U.S. and State businesses to begin to restore economic activity to its more normal, pre-pandemic level.

The Vermont Situation: In the State, the pandemic and the necessary public health measures taken to address it have adversely impacted major parts of the Vermont economy—particularly those relating directly and indirectly to the State's hospitality industry (including the lodging and eating and drinking sub-sectors) and its arts, entertainment, and recreation industries. Through February 2021, comparative state-by-state labor market data indicate that there were still roughly 30,600 fewer employed State residents as compared to February 2020 (corresponding to the month just prior to the onset of the pandemic), and state labor markets as of February 2021 still had an estimated 27,600 fewer nonfarm payroll jobs as compared to February 2020. Although the State has made good recovery progress in its labor markets since the April 2020 low point (with 35,900 jobs recovered), the State still had 43.5% left-to-go of the estimated 63,500 nonfarm payroll jobs total lost since February 2020. However, because of the relatively larger percentage of nonfarm payroll jobs lost by the Vermont economy during in the early stages of the pandemic,[10] the State's overall cumulative job loss total during the pandemic was 8.8%, 2.6 percentage points below the U.S. average relative to the pre-pandemic nonfarm job count peak back in February 2020.

Over the course of calendar year 2020, the State has been awarded a disproportionately large share of federal fiscal pandemic relief-assistance funds from the CARES Act and the COVID Relief Act. According to the non-partisan Peter G. Peterson Foundation,[11] which has made state-by state estimates of the amount of federal fiscal pandemic relief-assistance funding received directly and indirectly by each state, Vermont has received, or has been approved to receive, a total of $5.657 billion from these two major federal fiscal pandemic relief-assistance legislative measures. This amount of approved federal pandemic relief-assistance totaled nearly $9,100 per resident in the State. If the estimated $2.7 billion in additional federal fiscal pandemic relief-assistance funds from the ARP is added to that total,[12] the amount of direct and indirect federal fiscal pandemic relief-assistance monies already received and/or approved but in-progress to the State is expected to total nearly $8.36 billion, approximately $13,400 per State resident received or to be received and spent in total over a two- to three-year period. That level of federal support amounts to just under 25% of the entire current dollar annual output of goods and services for the entire State economy,[13] and represents a total that is more than three times the annual pre-pandemic, current dollar value of total output for the entire Leisure and Hospitality super-sector[14] portion of the Vermont economy—which has likely been the hardest hit part of the State economy.[15] This huge boost from the federal fiscal pandemic relief-assistance dollars, along with large amounts of federal fiscal pandemic relief also flowing to many of the states surrounding Vermont, constitutes a large, positive economic driver that is now underpinning much of the recovery

[10] Along with all of the other New England states which similarly lost a greater than the national average share of their nonfarm, payroll job bases.
[11] See https://www.pgpf.org/understanding-the-coronavirus-crisis/coronavirus-funding-state-by-state.
[12] As estimated by the Office of U.S. Senator Patrick Leahy, Chair of the Appropriations Committee of the U.S. Senate.
[13] Using the pre-pandemic 2019 output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce; See https://www.bea.gov/data/gdp/gdp-state.
[14] Which includes the accommodations, food service, entertainment, and recreation subsectors.
[15] Using the pre-pandemic 2019 output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce for this sector.

in economic activity across the State and the entire New England region. Considering the significant, positive multiplier effects typically associated with this type of deficit-financed federal fiscal spending, it is likely that these dollars will push the State's economy forward for significant parts, if not all, of the next two to three calendar years.

The latest comparative state-by-state data on the State's labor market through February 2021 indicates that the above-described federal fiscal relief-assistance is well timed to assist in the State's economic recovery from the pandemic. The State remains in the middle-of-the-pack in terms of its year-over-year job loss ranking with an 8.7% year-over-year job loss in both Total Nonfarm payroll jobs and Total Private Sector payroll jobs, ranking Vermont 4th among the six New England states. The most recent State job statistics by major industry sector on a year-over-year basis since February 2020[16] show Vermont has lost nonfarm payroll jobs over the past year in each of its nine NAICS[17] super-sectors, similar to all but two (Maine and New Hampshire) of the other New England states. The best year-over year payroll job performance for the State occurred in the Professional and Business Services super-sector where the State lost 0.7% of its jobs over the past year, ranking the State 3rd in the New England region and 9th among the 50 states overall. The worst performing NAICS supersector in Vermont over the past year was predictably in the Leisure and Hospitality sector with a decline of 30.4% in payroll jobs over the past year, which ranked the State 5th in the New England region and 39th among the 50 states over the February 2020 to February 2021 period. Other notable year-over-year performances for the State were the 3.7% decline in manufacturing jobs over the past year (which ranked the State 4th in New England and 32nd nationally), the 5.1% decline in Education and Health Services (which ranked the State 3rd in New England and 35th nationally), and the 10.4% decline in Construction jobs over the past year (which ranked the State 6th in New England and 45th nationally). The State believes that the negative year-over-year change in the Construction sector is contrary to the very robust level of recent housing sales (as some have come to view the State as a "safe haven" from the effects of the pandemic), and price appreciation being experienced in the State (as evidenced by the strong growth rate in the State's Property Transfer tax receipts), as well as anecdotal information regarding reports of the amount of construction activity across the State. To the extent the year-over-year job change statistics reported above continue to reflect a data or survey issue, the State believes that such issue should be rectified as the construction season gets underway in Spring 2021 and any labor market reporting issues are further addressed.

Turning to the household survey of employed and unemployed Vermonters, the conventionally published, statewide unemployment rate has fallen significantly to 3.1% in February 2021 (seasonally-adjusted) from the peak unemployment rate in Vermont of 14.8% in April 2020. This rate ties the State for third lowest among the 50 states, and only 0.6 percentage points higher than the pre-pandemic 2.5% seasonally-adjusted rate in February 2020. It should be noted, however, that much of the decline in the statewide unemployment rate appears to have been due to pandemic-related measurement issues, which resulted in a significant decline in the number of reported workers in the State's labor force.[18] Vermont's reported labor force has declined by 29,608 (seasonally-adjusted) workers over the February 2020 to February 2021 time frame, which is approximately the same decline as the number of number of employed workers over the period (which declined by 30,600). This situation is expected to be self-correcting once the public health challenges associated with the COVID-19 virus are addressed and labor market conditions return to a more normal character. Once the State unemployment rate returns to a more normal indicator of the health of the State's labor market, it is expected that the State's rate of unemployment will remain consistently below the average for the U.S. as a whole, just as it has been for the greater part of the last two decades.

The Moody's Analytics National Economic Forecast Assumptions: The economic outlook for Vermont for the calendar year 2020 through calendar year 2023 period is based on a comprehensive national economic outlook as of December 2020 assembled by Moody's Analytics, a respected national economic forecasting firm, as modified through the Administration-JFO consensus forecasting process. The statistics in the consensus economic forecast in Table 5 (below) reflect this underlying Moody's Analytics national economic forecast as adjusted during the December 2020-January 2021 consensus revenue forecast update. Consistent with the updated, adjusted U.S.

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[16] Based on Monthly Employment Statistics published by the Bureau of Labor Statistics through the Current Employment Statistics (CES) Program.

[17] NAICS refers to the **N**orth **A**merican **I**ndustry **C**lassification **S**ystem.

[18] The U.S. Department of Labor has acknowledged in its labor market bulletins that a large portion of the drop in the unemployment rate not just in Vermont but in states throughout the country is not workers getting new jobs, but rather workers simply leaving the labor force (and collecting the enhanced unemployment insurance benefits tied to COVID relief) and thus not being counted as unemployed due to the technical definition of that term. It is generally believed that the decrease in the unemployment rate merely reflects the COVID-relief aid phenomenon and does not represent a real improvement in labor market conditions.

macroeconomic consensus forecast, the updated national consensus economic forecast includes the likelihood that economic recovery will continue and eventually move to an expansionary phase over the next 24 to 36 months. The pace of recovery (and eventually the pace of expansion once the State economy has reached a "full recovery") is expected to be supported by the unprecedented amount of federal fiscal pandemic relief-assistance over the period, with the pace of recovery-expansion slowing towards the end of the three-year period as the impact of the federal fiscal pandemic relief-assistance stimulus ebbs. This is expected to result in slower rates of economic activity in calendar year 2023, including slowing rates of inflation-adjusted output and job recovery-growth. These expectations are consistent with the new dynamics of U.S. economic activity that has become dominated by federal deficit spending and the epidemiological course of the COVID-19 pandemic—instead of the course of underlying economic fundamentals. It should be noted that the consensus economic forecast was completed in December 2020, and includes the impacts of the CARES Act and the COVID Relief Act, but does not include the assistance expected from the ARP.

The new dynamics of economic activity are reflected in the consensus economic forecast (as adjusted) of the various macroeconomic performance metrics. According to the updated consensus forecast, U.S. GDP is expected to increase by 4.1% for calendar 2021, after the expected 3.5% year-over-year decrease in U.S. GDP in calendar year 2020. The 2021 recovery performance is then expected to be followed by increases of 4.7% for calendar year 2022 and 3.2% for calendar year 2023 on an annual average basis.

The Moody's Analytics national outlook (as adjusted) for U.S. labor markets includes an annual average increase in payroll jobs of 1.2% in calendar year 2021, 2.5% in calendar year 2022 and 2.4% in calendar year 2023—all following the pandemic-induced 5.8% decline in nonfarm payroll jobs in calendar year 2020. The U.S. unemployment rate, according to this revised forecast, is expected to average 6.9% in calendar year 2021, 6.0% in calendar year 2022, and 4.6% in calendar year 2023 on a seasonally-adjusted basis, following the 8.1% average U.S. unemployment rate forecast for the pandemic-impacted 2020 calendar year.

Consumer prices, as measured by the Consumer Price Index (CPI), are also expected to reflect the pandemic-impacted/federal deficit spending dynamics described above. Following a two-year period of weakening rates of price increases in calendar year 2019 and calendar year 2020, prices are expected to firm in calendar year 2021 (at a 2.0% annual rate of increase), and then increase to a 2.6% annual rate in calendar year 2022 and a 2.7% annual rate in calendar year 2023. The adjusted Moody's Analytics forecast for monetary policy over the calendar year 2020 through calendar year 2023 period expects the Federal Reserve to maintain an accommodative policy posture, with short-term interest rates remaining at historically low levels through calendar year 2023. Accordingly, the adjusted forecast through calendar year 2023 expects short-term interest rates to remain well below the pre-pandemic calendar year 2019 average, with the resulting Prime Interest Rate averaging 3.25% for both calendar years 2021 and 2022, and a small one-thirteenth of a percentage point increase likely in calendar year 2023 due to inflation pressures.

Considering the unprecedented nature of the pandemic and the historic federal fiscal and monetary response thereto, there remains an unusually high level of risk associated with the updated consensus economic forecast. At this point, it remains decidedly unclear just how the actual expenditure of roughly $8.4 trillion in aggregate federal fiscal pandemic relief-assistance—that is predominantly deficit financed—is going to ultimately play out in the economy. In addition, the U.S. and many countries around the globe are not yet "out-of-the-woods" epidemiologically with respect to the COVID-19 virus, especially considering the number of more virulent, mutant coronavirus strains that appear to be developing as the various vaccination programs roll-out.

Even so, the risks of a near-term downturn appear to have been diminished significantly with the passage of the ARP's third round of federal fiscal pandemic relief-assistance in March 2021. As a result, any downside risks are not expected to seriously threaten the current economic recovery, and the current positive trajectory for the U.S. recovery is expected to continue through at least calendar year 2023. In fact, the ARP's $1.9 trillion in federal fiscal pandemic relief-assistance has likely installed some upside risk to the national economic outlook through calendar year 2023.

The Vermont Economic Outlook: The Vermont near-term economic outlook, which is based on the Moody's Analytics' national forecast as adjusted by the consensus forecast is reflected in Table 5 below. The updated consensus economic forecast takes into account the most current information regarding the economic and fiscal fallout of the COVID-19 pandemic and the substantial federal fiscal and monetary policy official responses to date, including the expected effects of the nearly $5.7 billion in federal CARES Act and COVID Relief Act federal fiscal pandemic relief-assistance dollars that are estimated to have been allocated and spent, and/or are approved to be allocated and spent in the State over the next two to three years.

Overall, the consensus economic forecast for Vermont is for the State economy to continue to mirror the path of the U.S. economy throughout the calendar year 2021 through calendar year 2023 period. Looking at the State's specific major macroeconomic variables, the updated consensus economic forecast calls for the State to experience a somewhat faster rate of recovery in calendar years 2022 and 2023, following a harsher period of decline and initial recovery in calendar years 2020 and 2021, in each case as compared to the corresponding U.S. metric. The labor market recovery is expected to proceed at a slightly stronger pace after a larger pandemic-induced decline in payroll jobs and employment given the State's higher level of dependance on virus-sensitive sectors like the travel and tourism sector. The pace of recovery for real output (as measured by Gross State Product or GSP) and for inflation-adjusted personal income is similarly expected to reflect an initially weaker, but then somewhat stronger than average pace of recovery as the public health crisis surrounding the virus subsides, and the economy returns to a "more normal" character and level of activity during calendar year 2022. As stated above, this outlook scenario is likely to be further bolstered by the passage of the ARP in March 2021, which could push the running total of federal direct and indirect fiscal stimulus-assistance dollars within the State economy to more than $8.36 billion. This additional factor likely provides some upside risk to the State consensus economic forecast even though the State is expected to contend with the growth-restraining effects of the State's somewhat unfavorable demographic situation, which was evident prior to the onset of the pandemic.

In terms of Vermont's key economic benchmarks, the adjusted Moody's Analytics forecast for Vermont expects an annualized 3.4% increase in inflation-adjusted output for all of calendar year 2021 (following the estimated 6.2% decline in calendar year 2020), followed by a more significant 4.9% increase in calendar year 2022 and another 3.4% increase for inflation-adjusted output in calendar year 2023. The rate of inflation-adjusted output increase in calendar years 2022 and 2023 is expected to exceed the U.S. average after a sub-average performance in the previous six calendar years. The rate of payroll job increase over the forecast period is expected to be 2.0% in calendar year 2021, 2.7% in calendar year 2022 and 2.4% in calendar year 2023, in each case matching or exceeding the U.S. averages for those calendar years.[19] Nominal dollar personal income growth across the pandemic recovery period in the State is expected to be surprisingly positive, reflecting the unprecedented flow of federal fiscal pandemic relief-assistance across the period. Over the calendar year 2021, 2022 and 2023 period, nominal dollar personal income is expected to increase at the annual rate of 2.3%, 4.1% and 5.2%, respectively. These rates of increase are expected following the estimated 8.6% increase in nominal dollar personal income in calendar year 2020, which was largely a result of the significant federal fiscal pandemic relief-assistance dollars the State received during calendar year 2020.

Housing prices, as measured by the Federal Housing Finance Agency (FHFA) Housing Price Index for Vermont, are expected to continue to track favorably, with non-urban real estate markets like much of Vermont being one of the areas of relative economic strength during the pandemic. The State, along with other "pandemic safe areas" with generally lower COVID-19 case levels, is expected to continue to see accelerated price appreciation over at least the near-term time frame. The large amount of deficit-financed federal spending attributable to pandemic relief may also lead to the repricing of a wide range of assets, including residential real estate. The outlook for housing prices was for relatively strong price appreciation, even before the pandemic. As a result of the pandemic and the public sector response to it, strong price appreciation is expected to occur, and potentially even rise into "bubble territory" if the changed market circumstances cause investors to move from less favorably priced stock markets toward parts of the "attractively priced" real estate markets. For calendar year 2021, the FHFA price index in Vermont is expected to increase by 5.9%, reflecting the first time housing prices will have risen by over 5.0% since the mid-2000s. Housing prices in Vermont are then expected to increase by 6.2% in calendar year 2022, before easing back somewhat to a 5.7% increase in calendar year 2023—with all three years rising more strongly than the U.S. average for the FHFA housing price index over the period.

Once the economy moves past the effects of the COVID-19 pandemic and the effects of the federal fiscal response begin to ebb, it is likely that the State's unemployment rate will realign itself to its customary below the

[19] It should be noted that jobs and employment are lagging indicators, which typically trail current economic conditions by three to six months.

U.S. average position—a trend that has prevailed for the greater part of the last two business cycles. This updated consensus forecast includes a significant drop in the statewide, conventionally published unemployment rate in calendar year 2021 to 3.4%, followed by a gradual decline to 3.3% in calendar year 2022 and 3.1% in calendar year 2023. This latest adjusted consensus economic forecast for Vermont, if achieved, would result in a statewide unemployment rate as of the end of calendar year 2023 that would be 1.5 percentage points below the forecasted U.S. unemployment rate for that same calendar year.

Economic Forecast – Summary Data

The following table sets forth comparative statistics and assumptions corresponding to the current short term economic outlook for the Vermont and U.S. economies. The U.S. data correspond to the most recent Administration-Legislative JFO consensus forecast update for the macroeconomic environment for the Vermont economy for the upcoming three-year period as it was developed in December 2020. This updated consensus forecast of the U.S. and Vermont economies was used for the January 2021 consensus forecast process. The Vermont statistics present the specific detail for the consensus economic forecast for the State, and incorporate the estimated impacts of the on-going COVID-19 pandemic on State output levels, labor market conditions, and other macroeconomic performance metrics using a jointly maintained JFO and Agency of Administration macroeconomic forecasting model of the State economy as hosted through Moody's Analytics. Economic forecast variables and inputs were derived from the macroeconomic forecasts of other major forecasting entities, including the U.S. Federal Reserve System, the U.S. Energy Information System, the Congressional Budget Office, the International Monetary Fund, the Conference Board, and other private forecasting firms. As of the date of this Official Statement, regional economic forecast data from NEEP was not available for comparison purposes.

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Table 5
Calendar Year Forecast Comparison: United States and Vermont

	Actual					Forecast[1]			
	2015	2016	2017	2018[1]	2019[1]	2020	2021	2022	2023
Real Output (% Change)									
U.S. Gross Domestic Product	3.1	1.7	2.3	3.0	2.2	(3.5)	4.1	4.7	3.2
Vermont Gross State Product	1.3	1.1	0.4	0.9	0.8	(6.2)	3.4	4.9	3.4
Non-Farm Employment (% Change)									
U.S.	2.1	1.8	1.6	1.6	1.4	(5.8)	1.2	2.5	2.4
Vermont	0.9	0.3	0.6	0.2	0.1	(9.3)	2.0	2.7	2.4
Unemployment (%)									
U.S.	5.3	4.9	4.3	3.9	3.7	8.1	6.9	6.0	4.6
Vermont	3.6	3.2	2.9	2.6	2.4	6.1	3.4	3.3	3.1
FHFA Home Prices (% Change) (Current Dollars)									
U.S.	5.2	5.3	5.8	5.8	4.8	4.7	4.5	4.8	5.1
Vermont	1.8	1.5	2.2	3.3	3.7	4.9	5.9	6.2	5.7

[1] 2018 and 2019 variables are subject to further revision, and 2020 through 2023 values in this table reflect projected data as of December 2020. Calendar year 2020 forecasted data reflect consensus JFO and Administration estimates of the impact of the COVID-19 pandemic.

Sources: Moody's Analytics (U.S.) December 2020 Control Forecast (as adjusted as of January 19, 2021); January 2021 Vermont Consensus Forecast Update).

The data shown in Table 5 is consistent with the labor market, output growth, and housing price experience of the State during the State's recovery from the Great Recession and the first ten months of the COVID-19 pandemic. The Great Recession's impact during the mid-2000s on the Vermont economy was less severe in comparison to other states, which has resulted in a corresponding slower pace of economic recovery in the State versus the U.S. average over the subsequent period of recovery-expansion. Despite peaking earlier in its labor markets than the U.S. economy leading into the Great Recession, the State's non-farm payroll jobs fell at a slower pace and declined less significantly than the U.S. average during the deep recessionary period from 2007 through 2009. The Vermont economy's "fall less-recover slower-expand slower" performance during the most recent period of economic recession and recovery/expansion for the U.S. economy as a whole was also consistent with the State's comparative performance during the recession-recovery period during the early-2000s.

For calendar year 2020, the COVID-19 pandemic and subsequent lockdowns and travel restrictions were expected to create a sharp contraction in real output and nonfarm jobs and result in a spike in the unemployment rate and subsequent recovery as the State has navigated through the pandemic. Data on the actual impacts remain incomplete, although initial indications are that the impacts were, in fact, highly negative—at least during the initial period of the pandemic as the various public health measures were undertaken. For calendar years 2021 through 2023, Vermont's inflation-adjusted output and non-farm payroll job growth are forecast to continue to recover during 2021 and eventually reach pre-pandemic levels for many of its economic and labor market metrics at varying times during the calendar year 2022 through 2023 time period. Throughout the period, it is expected that the State's recovery will strengthen with year-to-year rates of increase generally matching or slightly higher than the U.S. average rates of increase. The State's conventionally published unemployment rate is expected to continue to track at a level significantly below the U.S. average—as has been the case for Vermont labor markets for most of the last two decades. Vermont's comparative housing price performance is also expected to track above U.S. levels, at least due in part to the increasing acceptance of working remotely and the State's widely reported superior public health response to the pandemic that has kept its case numbers lower than most of the country. This effect has been reported in the media to have encouraged some pandemic-induced, population in-migration—from higher case level locations such as New York and Boston. It remains unclear whether this apparent increase in population in-migration will be permanent, or if it will scale back, and potentially reverse itself, once COVID-19 vaccination rates for the U.S. population rise closer to the level of needed protection for the economy and life in general to return closer to pre-pandemic norms.

Regional Comparison

Data presented in Tables 6 through 8 include comparative labor market information for the State relative to the other New England states and the major metropolitan areas in the New England region. Table 6 shows the most current monthly, conventionally-published (or "top line") unemployment rate data for Vermont, the seven northeastern states, and the U.S. as a whole. Tables 7 and 8 set forth the latest annual "top line" unemployment and payroll job change data available for the various New England metro areas.

These data show that during the current and previous economic cycles the Burlington metropolitan area continues to be a strong performing metropolitan area in the New England region in comparison to the other 20 New England metropolitan areas. The tables show that the State and its major metropolitan area have among the lowest "top line" unemployment rates, and among the best relative job change performances, in the region during the most recent complete business cycle (November 2001 through December 2007), the period corresponding to the latest recession (January 2008 to June 2009) and the subsequent recovery-expansion which ended in February 2020. This previous cycle includes the year with the labor market peak and trough surrounding the early-2000s national economic recession and subsequent expansion up-cycle in the New England region and the United States as a whole through February 2020. Data for calendar years 2013 through 2019 where relevant and available, are also included to present data related to the most recent period of economic recovery-expansion. Complete state and sub-state data corresponding to calendar year 2020 on a re-benchmarked basis is expected to be available in late Spring 2021.

Table 6
Total Unemployment Rate Comparison of Vermont,
Seven Northeastern States and the U.S.

	February 2021	January 2021	February 2020	Change From Last Year
Vermont	3.1%	3.2%	2.5%	0.6%
Connecticut	8.5	8.1	3.7	4.2
Maine	4.8	5.2	3.1	1.9
Massachusetts	7.1	7.8	2.8	4.6
New Hampshire	3.3	3.6	2.6	1.4
New Jersey	7.8	7.8	3.7	3.9
New York	8.9	8.8	3.9	4.3
Rhode Island	7.3	7.2	4.0	4.6
United States	6.2	6.3	3.5	3.1

Note: Data are seasonally adjusted and exclude the Armed Forces.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

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Table 7
Comparison of Unemployment Rates in New England's Largest Metropolitan Areas
Not Seasonally Adjusted

City	Annual Average % 2013	Annual Average % 2014	Annual Average % 2015	Annual Average % 2016	Annual Average % 2017	Annual Average % 2018	Annual Average % 2019
Connecticut							
Bridgeport, Stamford, Norwalk	7.5	6.4	5.6	5.0	4.7	4.1	3.7
Danbury	6.3	5.3	4.6	4.3	3.9	3.5	3.2
Hartford-W. Hartford-E. Hartford	7.8	6.6	5.7	5.2	4.7	4.2	3.8
New Haven	8.0	6.7	5.7	5.1	4.7	4.1	3.6
Norwich-New London	8.5	7.2	6.2	5.3	4.6	4.0	3.6
Waterbury	9.7	8.3	7.3	6.3	5.8	5.2	4.6
Maine							
Bangor	6.2	5.3	4.2	3.8	3.5	3.3	3.0
Lewiston-Auburn	6.7	5.4	4.2	3.6	3.2	3.1	3.0
Portland-South Portland	5.5	4.5	3.5	3.0	2.7	2.6	2.4
Massachusetts							
Barnstable Town	8.1	6.9	5.9	4.7	4.5	4.1	3.7
Boston-Cambridge-Newton	6.1	5.2	4.3	3.5	3.4	3.0	2.6
Leominster-Gardner	8.3	6.9	5.7	4.6	4.3	3.9	3.4
New Bedford	10.5	8.7	7.2	5.8	5.6	5.2	4.4
Pittsfield	7.6	6.7	5.5	4.6	4.5	4.2	3.7
Springfield	7.8	6.8	5.7	4.8	4.6	4.1	3.6
Worcester	7.2	6.1	5.1	4.2	4.0	3.6	3.2
New Hampshire							
Dover-Durham	5.0	4.1	3.2	2.6	2.5	2.4	2.4
Manchester	5.1	4.2	3.3	2.8	2.7	2.4	2.4
Portsmouth	4.8	3.9	3.0	2.6	2.4	2.4	2.3
Rhode Island							
Providence-Warwick	9.0	7.5	5.9	5.1	4.4	4.0	3.6
Vermont							
Burlington-South Burlington	3.6	3.2	2.9	2.6	2.3	2.0	1.9

Note: Data for Labor Market Areas are subject to sporadic revisions, depending on the state.
Furthermore, these areas are also subject to infrequent geographic redefinition.
Data are not seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 8
Comparison of Non-farm Payroll Job Growth in New England's Largest Metropolitan Areas
Not Seasonally Adjusted

City	Number of Non-farm Jobs 2001 Annual Average (000s)	Number of Non-farm Jobs 2009 Annual Average (000s)	Number of Non-farm Jobs 2019 Annual Average (000s)	Annual Percent Change in Non-farm Jobs 2001–2009	Annual Percent Change in Non-farm Jobs 2009–2019
Connecticut					
Bridgeport-Stamford-Norwalk	413.7	391.2	405.8	(0.7)%	0.4%
Danbury	77.2	73.3	77.7	(0.6)	0.6
Hartford-W. Hartford-E. Hartford	568.9	554.9	583.4	(0.3)	0.5
New Haven	275.5	268.5	288.7	(0.3)	0.7
Norwich-New London-Westerly	131.2	132.0	129.1	0.1	(0.2)
Waterbury	73.2	66.4	68.2	(1.2)	0.3
Maine					
Bangor	63.2	64.6	68.5	0.3	0.6
Lewiston-Auburn	48.1	48.1	51.5	0.0	0.7
Portland-South Portland	184.6	187.7	212.8	0.2	1.3
Massachusetts					
Barnstable Town	97.1	97.3	107.1	0.0	1.0
Boston-Cambridge-Nashua	2,520.7	2,419.9	2,809.0	(0.5)	1.5
Leominster-Gardner	53.2	48.8	53.4	(1.1)	0.9
New Bedford	63.3	59.6	67.1	(0.8)	1.2
Pittsfield	42.7	41.5	41.4	(0.4)	(0.0)
Springfield	316.7	307.9	338.6	(0.4)	1.0
Worcester	265.9	259.5	290.2	(0.3)	1.1
New Hampshire					
Dover-Durham	45.3	49.2	54.6	1.0	1.0
Manchester	101.0	101.5	117.2	0.1	1.4
Portsmouth	75.6	78.4	94.0	0.5	1.8
Rhode Island					
Providence-Warwick	581.3	545.3	599.3	(0.8)	0.9
Vermont					
Burlington-South Burlington	114.8	112.9	126.2	(0.2)	1.1

Note: Labor Market Areas are subject to sporadic revisions depending on the state and also are subject to infrequent geographic redefinition. Data are not seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Composition of the Vermont Economy

Tables 9 and 10 include data that profile the earnings and employment levels by major industry for the State of Vermont under NAICS. The earnings data reflected in Table 9 cover the pre-pandemic calendar year 2017 to 2019 period (calendar year 2019 being the latest year for which complete annual average data are available). Employment data by industry reflected in Table 10 are also provided for the pre-pandemic 2017-2019 calendar year period for Vermont and 2019 for the U.S. economy.

The full-time and part-time jobs data through the pre-pandemic period ending in calendar year 2019 show that Health Care and Social Assistance remains one of the State's most important sectors, representing an estimated 13.6% of total employment in 2019 versus 11.3% of employment for the U.S. in calendar year 2019. Other important parts of Vermont's economic base include: Retail Trade at 10.4% of calendar year 2019 total employment versus 9.4% of employment for the U.S. as a whole in calendar year 2019; Accommodations and Food Services at 8.3% of the calendar year 2019 total employment versus 7.5% of employment for the U.S. as a whole in calendar year 2019; Manufacturing at 7.7% of the calendar year 2019 total employment versus 6.7% of employment for the U.S. as a whole in calendar year 2019; Construction at 6.6% of calendar year 2019 total employment versus the U.S. average of 5.5% in calendar year 2019; and Private Education Services at 4.3% of total employment versus the U.S. average of 2.4% in calendar year 2019.

Earnings data over the pre-pandemic calendar year 2017 to 2019 period show little relative change. The share of earnings in the Manufacturing sector decreased slightly (by 0.1 percentage point) to 10.3% of total earnings in calendar year 2019 compared to 10.4% of total earnings in calendar years 2017 and 2018. The share of Construction earnings decreased to 7.1% of total earnings in calendar year 2019 from 7.2% in calendar year 2018 and 7.5% in calendar year 2017. Of the other important parts of Vermont's economic base, the share of Health Care and Social Assistance earnings was 14.9% of total earnings in calendar year 2019 (down slightly from 15.0% of total earnings in calendar year 2018 but up from 14.8% in calendar year 2017); the share of earnings in the Retail Trade sector was at 7.1% in calendar year 2019, down slightly from 7.2% in calendar year 2018 and 7.3% in calendar year 2017; the share of earnings for the Accommodations and Food Services sector in calendar year 2019 remained unchanged at 5.2% of total earnings compared to calendar year 2018 (versus 5.0% of total earnings in calendar year 2017); and Professional, Scientific and Technical Services sector increased to 8.5% of total earnings in calendar year 2019 compared to 8.2% in calendar years 2018 and 2017.

Relative to the U.S. economy and prior to the effects of the COVID-19 pandemic, Vermont's economy relies somewhat more heavily on sectors such as Construction, Forestry and Fishing, Manufacturing, Private Education Services, Health Care and Social Assistance, Retail Trade, Accommodations and Food Services, Arts, Entertainment, and Recreation and the Farm sector. The State's relatively high reliance on Retail Trade and Accommodations and Food Services reflects the importance of the travel and tourism sector to the State's economy. At the same time, the State's economy has a slightly lower reliance on sectors such as Information, Financial Activities, Transportation, Warehousing and Utilities, Management of Companies and Enterprises, Real Estate and Rental and Leasing, Mining, Administrative and Waste Services, and the Wholesale Trade sector for both its employment and its earnings.

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Table 9
Total Earnings by Industry
2017-2019
($Thousands)

	2017		2018		2019	
	Total Earnings	Percent of Total	Total Earnings	Percent of Total	Total Earnings	Percent of Total
Farm:	$208,015	1.0%	$155,250	0.7%	$230,535	1.0%
Non-Farm Industry:						
Construction	1,592,947	7.5	1,582,914	7.2	1,620,986	7.1
Forestry, Fishing and Other Related Activities	82,808	0.4	84,325	0.4	89,040	0.4
Mining	56,574	0.3	63,840	0.3	63,994	0.3
Utilities	197,584	0.9	236,791	1.1	230,388	1.0
Manufacturing	2,225,557	10.4	2,298,317	10.4	2,346,892	10.3
Wholesale Trade	723,326	3.4	747,210	3.4	748,476	3.3
Retail Trade	1,555,167	7.3	1,597,700	7.2	1,624,557	7.1
Information	358,275	1.7	354,957	1.6	376,200	1.6
Financial Activities	951,849	4.5	963,131	4.4	1,001,732	4.4
Real Estate and Rental and Leasing	289,163	1.4	312,517	1.4	326,192	1.4
Transportation and Warehousing	443,220	2.1	461,373	2.1	491,610	2.2
Management of Companies and Enterprises	224,707	1.1	227,037	1.0	260,871	1.1
Professional, Scientific and Technical Services	1,747,934	8.2	1,816,589	8.2	1,934,703	8.5
Private Education Services	793,133	3.7	796,687	3.6	808,792	3.5
Health Care and Social Assistance	3,167,497	14.8	3,309,406	15.0	3,400,701	14.9
Arts, Entertainment, and Recreation	231,107	1.1	248,913	1.1	245,491	1.1
Accommodations and Food Services	1,069,508	5.0	1,142,496	5.2	1,177,769	5.2
Administrative and Waste Services	710,226	3.3	747,136	3.4	775,474	3.4
Other Private Services-Providing	818,681	3.8	878,568	4.0	908,878	4.0
Total Private Non-Farm Industries	$17,239,263	80.7%	$17,871,907	80.9%	$18,432,746	80.7%
Government and Government Enterprises	$3,924,595	18.4%	$4,051,188	18.3%	$4,177,013	18.3%
Total Farm and Non-Farm Earnings	$21,371,873	100.0%	$22,078,345	100.0%	$22,840,294	100.0%

Notes: Total may not add due to rounding. Total Earnings is comprised of wages and salaries, other labor income and proprietor's income.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 10
Vermont Jobs by Industry
2017-2019

	2017		2018		2019		U.S. 2019	
	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total
Farm	9,372	2.1%	9,294	2.1%	9,316	2.1%	2,601,000	1.3%
Non-Farm Industry:								
Construction	28,475	6.5	28,653	6.5	28,917	6.6	11,282,500	5.5
Forestry, Fishing, & Other Related Activities	3,376	0.8	3,437	0.8	3,475	0.8	984,100	0.5
Mining	1,357	0.3	1,150	0.3	1,078	0.2	1,127,100	0.6
Manufacturing	33,687	7.7	33,734	7.7	33,960	7.7	13,570,100	6.7
Wholesale Trade	10,550	2.4	10,368	2.4	10,441	2.4	6,516,600	3.2
Retail Trade	47,046	10.8	46,577	10.6	45,752	10.4	19,084,500	9.4
Information	6,019	1.4	5,880	1.3	5,962	1.4	3,470,600	1.7
Financial Activities	13,918	3.2	14,236	3.3	14,616	3.3	10,959,600	5.4
Transportation, Warehousing & Utilities	10,638	2.4	10,863	2.5	11,181	2.5	9,756,400	4.8
Management of Companies and Enterprises	2,323	0.5	2,342	0.5	2,351	0.5	2,786,000	1.4
Real Estate and Rental and Leasing	15,929	3.7	16,269	3.7	16,835	3.8	9,818,000	4.8
Professional and Technical Services	27,472	6.3	27,840	6.4	28,701	6.5	14,731,300	7.2
Private Education Services	19,380	4.4	19,077	4.4	18,944	4.3	4,804,200	2.4
Health Care and Social Assistance	59,570	13.7	60,015	13.7	59,911	13.6	23,091,800	11.3
Arts, Entertainment, and Recreation	12,056	2.8	12,416	2.8	12,929	2.9	4,864,400	2.4
Accommodations and Food Services	36,509	8.4	36,237	8.3	36,428	8.3	15,286,900	7.5
Administrative and Waste Services	18,799	4.3	19,245	4.4	19,517	4.4	12,568,500	6.2
Other Services, except public administration	21,677	5.0	22,378	5.1	22,744	5.2	11,748,900	5.8
Total Private Sector Non-Farm	368,781	84.5%	370,717	84.7%	373,742	84.7%	176,472,500	86.6%
Government	58,070	13.3%	57,902	13.2%	58,062	13.2%	24,736,000	12.1%
Total Jobs	436,223	100.0%	437,913	100.0%	437,913	100.0%	203,809,500	100.0%

Notes: Includes total jobs and proprietors. Totals may not add due to rounding.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Largest Private Employers

The Vermont economy currently reflects a diverse mix of manufacturing, tourist-based, education/higher education, professional services (including health care, business, and private sector higher education services), trade and other employers. According to the November 2020 Vermont Business Magazine, the State's three largest private sector employers in calendar year 2020 were: (i) The University of Vermont Medical Center ("UVMC") (formerly known as Fletcher Allen Health Care), which is part of the UVM Health Network ("UVMHN"), with approximately 5,591 employees, (ii) Global Foundries, Inc. ("Global Foundries"), with approximately 2,500 employees, and (iii) Rutland Regional Medical Center, with approximately 1,700 employees.

UVMC, the State's largest private employer, is part of the UVMHN, which is comprised of a network of seven partner hospitals (which also includes Central Vermont Medical Center, Champlain Valley Physicians Hospital, the Porter Medical Center, UVM Home Health and Hospice, Elizabethtown Community Hospital, and Alice Hyde Medical Center) that serve the residents of Vermont and northern upstate New York. UVMC has a longstanding strategic alliance with the University of Vermont's College of Medicine and the College of Nursing and Health Sciences, bringing world-class medical research, education, and care to the region. In July 2015, the Green Mountain Care Board ("GMCB")[20] approved a new 180,000 square foot, 128-room inpatient facility designed to improve quality of care and to meet the medical center's long-term bed needs. The $187 million Robert E. and Holly D. Miller Building replaced out-of-date double occupancy inpatient rooms, which was intended to help prevent the spread of infections, offer patients privacy, afford space to accommodate diagnostic equipment, and accommodate patients' families and visitors. Construction of the project was completed in February 2019, and the new inpatient facility opened on June 1, 2019. In January 2019, GMCB received an application from UVMC to replace its Essex Adult Primary Care Facility with an $8.6 million 12,500 square foot facility. Construction on this facility was completed and the facility opened in June 2020.

In October 2020, UVMHN was one target in a series of cyber-attacks on healthcare providers across the country. The attack was reported in news reports to have been a ransomware-like attack which negatively impacted the entire UVMHN computer infrastructure. This required several weeks of repair-restoration efforts. Fortunately, the attack was reported to have resulted in no demands for ransom payments, and also fortunately resulted in no reported compromise of Personally Identifiable Information (PII), Protected Health Information (PHI), or employee information. In December 2020, the UVMHN reported that the financial impact in lost revenue and recovery expenses from the cyberattack totaled $63 million. A full and final financial impact estimate of the cyberattack on the UVMHN has been published, but is expected to be disclosed sometime in calendar year 2021. In March 2021, UVMHN further reported that it missed its budgetary target by more than $28 million at the end of the January 2021 reporting period, four months into UVMHN's 2021 fiscal year. This missed target was net of the $39.1 million in State and federal CARES Act relief payments and its own proactive cost cutting measures. UVMHN reports it continues to take steps to address its financial challenges in order to achieve long-term sustainability, and affiliates across UVMHN are actively working on plans to address their specific financial challenges associated with the declining number of patient visits experienced during the pandemic.

Global Foundries, another key Vermont employer, acquired IBM's Microelectronics Division in July 2015, which acquisition included: (i) IBM's semiconductor fabrication facilities in East Fishkill, New York and Essex Junction, Vermont; (ii) IBM's technologists, intellectual property, and technologies related to the IBM Microelectronics Division; and (iii) a 10-year exclusive server processor semiconductor technology provider contract for 10, 14 and 22 nanometer semiconductors. In anticipation of further collaboration following the acquisition, IBM continues to maintain a significant presence at the technology campus in Essex Junction, with a reported 200 employees being based at that location. Press reports accessible on Global Foundries' website indicated that Global Foundries' agreement to participate in the IBM research alliance ended in December 2019, and there have been additional reports noting that IBM has recently turned to Samsung as a supplier of 7 nanometer chips for its high-powered servers after Global Foundries announced it had decided not to enter the market for these next-generation chips.[21] On April 22, 2019, Global Foundries announced it was selling its semiconductor fabrication facility in East Fishkill, New York to ON Semiconductor of Phoenix, Arizona ("ON Semiconductor"). According to

[20] GMCB was created by the Vermont Legislature in 2011 and is an independent group of five Vermonters who are charged with ensuring that changes in the health system improve quality while stabilizing costs. See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – State Health Care Reform – *Green Mountain Care Board*" herein.

[21] See https://spectrum.ieee.org/nanoclast/semiconductors/devices/globalfoundries-halts-7nm-chip-development, August 28, 2018.

press reports accessible on Global Foundries' website, the sale of that facility is not expected to negatively impact the company's Vermont chip fabrication facility.[22] The agreement calls for a three and one-half year transition period through 2022 where Global Foundries will continue to operate the plant and manufacture ON Semiconductor's 300mm wafers as ON Semiconductor ramps up its staffing and installs equipment at the site. After 2022, Global Foundries will shift production to its other facilities.[23] On August 13, 2019, Toppan Photomasks, Inc. and Global Foundries announced that they have entered into a multi-year supply agreement in which Toppan will provide Global Foundries with photomasks and related services currently supported by Global Foundries' Burlington, Vermont U.S. photomask manufacturing operation. As a part of the agreement, Toppan Photomasks, Inc. will acquire certain assets of Global Foundries' Burlington photomask facility.

Global Foundries has set up an independent subsidiary (Global Foundries US2) to operate the East Fishkill New York and Essex Junction, Vermont fabrication facilities, which subsidiary participates in the U.S. Government's "Trusted Foundry" program, which allows it to compete with other "Trusted Foundry" providers for contracts from the U.S. Department of Defense ("DoD"). In June 2016, it was announced that Global Foundries won a chip fabrication contract with the DoD to be the sole supplier of high-end chips to be used in U.S. fighter planes, weapons systems, and satellites used by the U.S. military. Although details of the DoD contract were not made public, it was reported to be a multi-year contract, valued at approximately $60 million per year for several years.

Rutland Regional Medical Center was founded in 1896 as Rutland Hospital. Today, the Medical Center is a 144-bed hospital, employing over 1,600 professional and support staff including 242 providers trained in 37 specialty areas. The facility provides preventive, diagnostic, acute, and rehabilitative services. Rutland Regional Medical Center serves Rutland County, portions of southern and central Vermont and a range of communities in eastern New York State within a reasonable travel distance by automobile.

Other major private sector employers in the State include a mix of retail companies (Shaw's Supermarkets, Price Chopper, Walmart), financial institutions (People's United Bank and New England Federal Credit Union), manufacturers (Keurig Dr. Pepper, GE Aircraft Engines—Rutland Operation and Revision Military Technologies with its corporate headquarters in Essex Junction and a production facility in Newport), health care services providers (Central Vermont Medical Center, Inc. and Southwest Vermont Health Care), medical software providers (GE Health Care), technology firms (Dealer.com), higher education (Middlebury College and the Vermont State Colleges System), and the travel-tourism industry (Stowe Mountain Resort., Killington Pico Ski Resort, and Jay Peak Resort—which recently has made significant progress towards exiting "receivership"). Other notable private sector employers in the State include Ben & Jerry's Ice Cream (a part of Unilever), Cabot Creamery Coop, Green Mountain Power Corporation (the State's largest investor-owned utility), Howard Center, Collins Aerospace located in Vergennes, and several of the State's major resorts (Stratton Mountain Resort, Smugglers Notch Management Company, LTD in Jeffersonville, and Mount Snow, LTD in West Dover). Each of these employers have at least 350 reported employees. The University of Vermont and State Agricultural College also is a major employer in the State with approximately 3,991 employees according to the November 2020 Vermont Business Magazine. However, the University of Vermont is classified as a public sector employer and is not considered to be a part of the private sector employment mix of the State economy for any of the major employment job count surveys conducted by the Vermont Department of Labor.

Income Levels and Income Growth Performance

The following two tables include data relating to the trends in the rate of total personal income growth for Vermont, New England and the nation as a whole over the calendar year 2000 to 2020 period (with calendar year 2020 being the latest year available). On an average annual basis, total personal income in Vermont has increased by 3.7% per year from calendar year 2000 to calendar year 2020, compared to a 3.8% per year average rate of growth for the New England region and a 4.2% per year average rate of growth in the U.S. for the same period. According to the U.S. Department of Commerce data presented in Table 12, Vermont's per capita personal income in calendar year 2000 was $29,109 or 95.0% of the U.S. average of $30,657. By calendar year 2020, Vermont's per capita personal income had risen to $58,650 or 98.2% of the U.S. average of $59,729. Vermont's per capita personal income increased by 6.1% in calendar year 2020, which was on par with the New England regional average increase and slightly greater than the national average increase of 5.8% in calendar year 2020. These same data show that Vermont's change in per capita personal income for calendar year 2020 ranked 4th among the six New

[22] See https://www.globalfoundries.com/news-events/press-releases/semiconductor-and-globalfoundries-partner-transfer-ownership-east.
[23] See Albany Business Review, April 22, 2019.

England states for that same period (ranging from Rhode Island which experienced the largest increase at 7.8% to Connecticut which experienced the lowest increase at 3.2%). An increase in transfer receipts was the leading contributor to personal income growth in calendar year 2020 in all states and the District of Columbia, reflecting the impact of the federal stimulus payments provided pursuant to the CARES Act.

Table 11
Growth in Nominal Dollar Total Personal Income for
Vermont, New England and United States
Calendar Years 2000-2020
($ in millions)

	State of Vermont		New England		United States	
Calendar Year	Total Personal Income	Percent Growth	Total Personal Income	Percent Growth	Total Personal Income	Percent Growth
2020*	$36,560	6.0%	$1,098,141	6.0%	$19,679,715	6.1%
2019	34,502	3.2	1,035,507	3.4	18,542,262	3.9
2018	33,423	3.5	1,001,084	4.8	17,839,255	5.3
2017	32,277	2.6	955,101	3.9	16,937,582	4.9
2016	31,445	1.8	919,178	3.1	16,151,881	2.8
2015	30,882	3.3	891,920	4.8	15,717,140	4.9
2014	29,887	3.9	851,132	4.8	14,982,715	5.7
2013	28,769	1.3	811,872	(0.2)	14,175,503	1.3
2012	28,396	3.4	813,572	3.5	13,998,383	5.1
2011	27,455	5.8	786,208	4.3	13,315,478	6.2
2010	25,939	3.1	753,784	4.4	12,541,995	4.1
2009	25,164	(1.4)	722,100	(1.3)	12,051,307	(3.1)
2008	25,530	5.0	731,718	4.4	12,438,527	3.6
2007	24,320	5.2	700,904	5.5	12,002,204	5.5
2006	23,109	6.4	664,359	7.3	11,372,589	7.3
2005	21,727	2.7	618,915	4.4	10,593,946	5.6
2004	21,147	5.8	593,093	5.4	10,028,781	5.8
2003	19,984	3.9	562,946	2.4	9,480,901	3.6
2002	19,227	2.2	549,586	0.6	9,155,663	1.7
2001	18,822	6.1	546,215	4.8	9,001,839	4.1
2000	17,746	8.2	521,196	10.3	8,650,325	8.1

* Calendar year 2020 personal income growth in the State, New England and the U.S. was largely the result of the federal stimulus payments received by individuals pursuant to the CARES Act.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Table 12
Growth in Nominal Dollar Per Capita Personal Income for
Vermont, New England and the United States
Calendar Years 2000-2020

	State of Vermont		New England		United States	
Calendar Year	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth
2020	$58,650	6.1%	$73,961	6.1%	$59,729	5.8%
2019	55,288	3.4	69,733	3.4	56,474	3.5
2018	53,493	3.6	67,460	4.6	54,581	4.8
2017	51,632	2.5	64,505	3.6	52,096	4.2
2016	50,363	2.1	62,252	2.8	49,995	2.0
2015	49,348	3.3	60,529	4.6	49,003	4.1
2014	47,766	4.0	57,868	4.4	47,058	4.9
2013	45,912	1.3	55,422	(0.6)	44,851	0.6
2012	45,334	3.6	55,749	3.0	44,598	4.4
2011	43,774	5.6	54,099	3.9	42,735	5.4
2010	41,444	2.9	52,093	3.9	40,546	3.2
2009	40,275	(1.5)	50,133	(1.8)	39,284	(4.0)
2008	40,904	4.9	51,026	4.0	40,904	2.7
2007	39,006	5.1	49,086	5.3	39,844	4.5
2006	37,099	6.1	46,636	7.1	38,114	6.3
2005	34,975	2.5	43,534	4.3	35,849	4.7
2004	33,113	5.5	41,747	5.2	34,251	4.8
2003	32,344	3.5	39,693	2.0	32,681	2.7
2002	31,241	1.6	38,916	0.0	31,832	0.8
2001	30,744	5.6	38,901	4.1	31,589	3.0
2000	29,109	7.4	37,362	9.4	30,657	6.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment Statistics

Vermont had an average labor force of 330,000 (rounded) during calendar year 2020, with approximately 312,000 (rounded) estimated as being employed and approximately 18,400 (rounded) estimated as being unemployed during that period. Vermont's conventionally-reported, statewide 5.6% annual average unemployment rate for calendar year 2020 was significantly higher than the calendar year 2019 statewide unemployment rate of 2.3%, reflecting the impact of the COVID-19 pandemic. Over the course of calendar year 2020, the State's unemployment rate peaked at 14.8% in April 2020 and fell to just 3.5% by December 2020—although much of the decline appears to have been the result of pandemic-related measurement issues which resulted in dramatic declines in the size of the State's labor force (See "STATE ECONOMY – The Vermont Situation). Even so, the State's conventionally-reported, annual average unemployment rate for calendar year 2020 of 5.6% was well below the calendar year 2020 annual average unemployment rates for the New England region as a whole (at 8.0%) and for the nation overall (at 8.1%), the same labor force measurement issues for those calendar year averages as experienced in the State, notwithstanding. The following table sets forth data showing trends in labor force, employment and unemployment rates for Vermont, the New England region, and the U.S. economy as a whole from calendar year 2000 through calendar year 2020.

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Table 13
Average Annual Employment and Unemployment Rate

	State of Vermont			New England	United States
Year	Labor Force (in thousands)	Employment (in thousands)	Unemployment Rate (%)	Unemployment Rate (%)	Unemployment Rate (%)
2020*	330	312	5.6%	8.0%	8.1%
2019	344	336	2.3	3.1	3.7
2018	347	338	2.6	3.5	3.9
2017	347	337	3.0	3.8	4.4
2016	346	335	3.1	4.1	4.9
2015	347	334	3.5	4.9	5.3
2014	349	335	4.0	5.9	6.2
2013	350	335	4.4	6.9	7.4
2012	354	337	4.8	7.2	8.1
2011	358	338	5.6	7.7	8.9
2010	360	337	6.3	8.5	9.6
2009	359	337	6.2	8.1	9.3
2008	354	338	4.5	5.4	5.8
2007	353	339	3.9	4.4	4.6
2006	355	342	3.7	4.5	4.6
2005	350	337	3.5	4.7	5.1
2004	347	335	3.7	4.9	5.5
2003	346	331	4.4	5.4	6.0
2002	343	330	3.8	4.8	5.8
2001	338	327	3.3	3.6	4.7
2000	334	325	2.8	2.8	4.0

* Calendar year 2020 data reflect the economic impacts of the COVID-19 pandemic.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Transportation

Highway System. The 2040 Vermont Long-Range Transportation Plan published by the Vermont Agency of Transportation ("VAOT") describes Vermont's roadway infrastructure system as a total of 14,174 miles of local and state roadway, 806 miles of roadway within the National Highway System (NHS), 2,331 miles of roads listed in the State Highway System (SHS), and 139 miles of Class I Town Highways. There are a number of road construction projects in progress, which range in purpose from system preservation, safety, bridge maintenance, and enhancement to various replacement projects designed to expand the State's roadway infrastructure system capacity.

More specifically, calendar year 2020 marked the completion of a number of major infrastructure improvement projects. In the summer of 2020, the VAOT completed a key construction phase of a new 350-foot-long rail tunnel to improve the safety and reliability of Vermont's Western Rail Corridor as it passed through downtown Middlebury. Other projects completed, or substantially completed, during 2020 reflected a mix of bridge replacement (in Cavendish, Dover, Eden, Georgia, Montpelier, Moretown, and Orleans Village), rail bridge rehabilitation (in Manchester and Montpelier), rail crossing improvements (in Charlotte, Norwich, and Pittsford), roadway reconstruction (in Barre Town), investments in Park and Ride facilities (Royalton, St. Johnsbury, and Thetford), and road reconstruction (in Barre Town along Route 10) projects. In addition, culvert rehabilitation work also continued in the towns of Shaftsbury, Thetford, and Williston. The State also collaborated with Vermont municipalities to complete dozens of road, sidewalk, and other improvement projects in 2020 to substantially leverage the State's financial and technical-engineering personnel resources.

Vermont's highway system also includes 2,790 long-structure bridges (defined as bridges spanning more than 20 feet in length and located on public roads) and 1,260 short-structure bridges (defined as bridges with a span of greater than six feet up to or equal to a span of 20 feet). Since the mid-2000s, the State has made significant progress in improving its long-structure bridges system performance, including significant reductions in the number of structurally deficient bridges. As of April 2020, of the 518 Interstate long-structure and short-structure bridges in the State's inventory, only 2% were classified as being "structurally deficient," down from roughly 13% in the mid-2000s. Of the 1,866 long-structure and short-structure bridges listed in the State Highway system, the percentage of structurally deficient bridges was 4% in 2020, down from approximately 20% in the mid-2000s. With respect to the Town Highway System, while the State does not inspect Town Highway short-structure bridges, the VAOT 2021

Fact Book reports that a total of 2% of Town Highway System long-structure bridges were structurally deficient as of April 2020. The above benchmark deficiency percentages were well below the VAOT System Goal of 6.0% for the Interstate System, 10.0% for State Highway System, and 12.0% Town Highway System. The State has also made significant improvements in other areas of its transportation infrastructure. In 2011, a total of 25% of the State's roads were classified as being in "very poor condition." By 2020, that percentage had declined to 14% and has stayed within a range of 11% to 15% of the total State road mileage over the 2015-2020 period. The State completed 654 two-lane miles of crack sealing, preventative maintenance, and paving in 2020, following 587 two-lane miles in 2019 and 387 two-lane miles in 2018.

Since 2012, the State has successfully used procedures and practices under the Accelerated Bridge Construction Program ("ABC") for all bridge replacement projects. According to VAOT, this approach has for the most part become standard practice throughout the State. The primary goal of the ABC is to improve the condition of Vermont's bridges while reducing project costs through expedited project development, delivery and construction. In 2020, VAOT had a total of 26 bridge replacement, rehabilitation, and preventative maintenance projects under construction totaling $86.8 million. Seven projects in 2020 utilized accelerated bridge construction methods. This followed a very active year in 2019, where there were 28 bridge replacement, rehabilitation, and preventative maintenance projects under construction totaling $300.3 million, with three of those projects utilizing ABC methods. The effective use of ABC practices typically results in only short-term road closures for impacted roadways.

Rail. Vermont's rail network encompasses approximately 578 miles of active rail lines. All of these lines are used for freight service with two routes also being used for intercity passenger service. The State owns just over 305 miles of the active rail network and 149 miles of inactive rail, and the State acquired these lines when their former owners either filed for bankruptcy or announced that they would no longer provide service on these lines, or both. The first rail lines the State purchased were those of the Rutland Railroad after the company filed for bankruptcy and abandonment in 1962. The most recent was the acquisition of trackage now operated by the Washington County Railroad Connecticut River Line in 2003. Most of the lines carry freight only, with the exception of (i) the New England Central Railroad ("NECR") also carries the "Vermonter", (ii) the Clarendon & Pittsford Railroad ("CLP"), which also carries the Ethan Allen Express, and (iii) the Vermont Railway ("VTR") located north of Rutland, which will host the extended Ethan Allen Express to Burlington. In addition, the Green Mountain Railroad ("GMRC") hosts seasonal tourist service.

Railroads in Vermont and elsewhere are classified by the amount of revenue they generate. In the U.S., there are seven Class I railroads (carriers with revenues in excess of $504.8 million in 2019), which provide the greatest amount of service over the largest territories, along with many additional Class II "regional" railroads (systems with more than $40.6 million but less than $504.8 million in revenues in 2019) and Class III "short line" railroads (railroads with less than $40.4 million in 2019). In other parts of the nation, Class I railroads serve as the railroad equivalent of the Interstate highway network, carrying freight between regional markets. By contrast, short line and regional railroads serve a gathering role, providing "first" and "last mile" connections to shippers on relatively light density rail lines. In Vermont, however, similar to most other New England states, short line and regional railroads comprise its rail network. As such, most freight is handled by multiple railroads between origin and destination.

Roughly every five years, the State updates its State Rail Plan to identify system issues and needs, including subsequent policies and strategies to guide transportation investments in Vermont—including those that are freight-related. The VRAC provides overall guidance throughout these periodic Rail Plan updates. The 2021 State Rail Plan is currently in draft form and is expected to be completed in mid-calendar year 2021. The information reflected below is derived from the current draft of the of the 2021 State Rail Plan (the "Draft 2021 State Rail Plan"), and reflects data from 2018 (the most recent freight data available).

According to the Draft 2021 State Rail Plan, the following active freight lines currently operate in Vermont: (1) Pan Am Southern; (2) Canadian National; (3) Vermont Rail Systems, which consists of the CLP, the Connecticut River Subdivision of the Washington County Railroad ("WACR"), the GMR, and the VTR; (4) Canadian Pacific Railway ("CP"); and (5) Genesee and Wyoming, which operates the NECR and the St. Lawrence & Atlantic in Vermont. In addition, passenger rail service in Vermont is provided by the National Passenger Railroad Corporation (Amtrak). State-supported Amtrak service includes two passenger trains: (1) the "Vermonter," with service from Washington, D.C. through New York City, New Haven, Connecticut and Springfield, Massachusetts to St. Albans, Vermont (covering 467 miles), and (2) the "Ethan Allen Express," with service from New York City through Albany, Schenectady and Saratoga Springs, New York to Rutland, Vermont (covering 241 miles). Work to extend the Ethan Allen Express from Rutland to Burlington is substantially complete with service expected to launch in 2022. In addition to serving Burlington, the extended route will also have stops in Middlebury and Vergennes.

Both the Vermonter and Ethan Allen Express services are subsidized through cooperative agreements between Vermont and other states. The Vermonter is supported by Vermont, Massachusetts and Connecticut; the Ethan Allen Express is supported by Vermont and New York. In fiscal year 2020, 70,619 passengers got onto or off of trains at stations in the State (Vermonter passengers accounted for 47,344, and Ethan Allen Express passengers accounted for 23,275).[24] The 2020 ridership numbers reflect the impact of the public health measures taken in the State as a result of the COVID-19 pandemic, as well as overall rider concern about the safety transit modes during the pandemic.

Prior to 2020, total Amtrak ridership in Vermont had been relatively steady, with around 95,000 passengers boarding or detraining at a Vermont station annually from federal fiscal year ("FFY") 2016 to 2019 according to ridership data provided by Amtrak for those years. Following completion of several rail construction projects in Connecticut and Massachusetts, which have reduced travel time and improve reliability for Vermont, total ridership on the Vermonter and Ethan Allen Express has grown to more than 151,000 in FFY 2019, inclusive of riders in Massachusetts, Connecticut and New York (north of Albany).

According to the Draft 2021 State Rail Plan, the State remains committed to intercity rail. The Plan proposes to continue the State goal of a 5% annual growth in ridership. In addition, the 2011 Vermont Comprehensive Energy Plan ("CEP") set a goal of increasing Vermont-based passenger rail trip to 400,000 annually by 2030. The 2016 CEP maintains this goal as part of an overall strategy to "reduce total transportation energy use by 20 percent from 2015 levels by 2025."

Recent improvements to the State's rail system include a $20 million federal grant from the U.S. Department of Transportation's Better Utilizing Investments to Leverage Development ("BUILD") program to upgrade 31 rail bridges to handle a capacity of 286,000 pounds. The funding supports the rehabilitation or replacement of rail bridges along 53 miles of the Vermont Railway. The project is estimated to cost $31 million, with the State and VRS contributing $11 million toward the upgrades to the southern section of the State-owned rail line that runs between Rutland and Bennington. In addition to many economic benefits, the infrastructure improvements will reduce truck traffic along U.S. Route 7 and adjacent highways, enable the expansion of intercity passenger rail, and ensure a state of good repair for the rail bridges for the next 75-100 years.

Since 2015, only one petition for rail abandonment has been filed. In September 2018, the Surface Transportation Board accepted a notice of interim trail use request by the Town of Bennington. This request will allow a portion of the VTR Bennington Branch from River Street in Bennington to the bridge over Furnace Brook to be used as an interim trail subject to future restoration of rail service. No additional rail lines in Vermont have been abandoned, placed out of service, or rail-banked since the 2015 State Rail Plan. The Lamoille Valley Railroad ceased operations in 1994, and part of that right of way has since become a highly regarded rail trail. The State expects there will be additional miles of conversion added to this rail trail in the future.

Transit. There were seven public transit providers in the State in fiscal year 2020, which provided an estimated 4.2 million passenger trips. VAOT has an established statewide goal of 20% local share participation for public transportation adopted as part of the 2020 Public Transit Policy Plan. Local share includes fare revenue, private contributions, contracts from outside agencies, payments from cities and towns, and in-kind contributions. The local share analysis found that 21% of statewide transit funding comes from local sources including fares. This share is lower than in past years because the transit funding received from the federal CARES Act, which helped sustain transit agencies during the pandemic, had no local match requirement (unlike most federal funding, which typically has a 20% or 50% match requirement). In addition, local share revenues were negatively impacted in 2020 because most agencies eliminated fares during the COVID-19 pandemic, while two agencies are fare free all the time, and many agencies have some fare free services. Total fare revenue statewide in fiscal year 2020 was $2.15 million, the majority of which was collected in Chittenden County. Fare revenue comprised 13% of the operating budget for Green Mountain Transit operations in Chittenden County, lower than normal because of the fare elimination starting in March 2020. The State is also served by four private intercity providers, including Greyhound Bus Lines, Vermont Translines, Yankee Trails and Megabus.

[24] Amtrak passenger service was suspended on March 26, 2020 due to the COVID-19 pandemic.

Aviation. There are 16 public use airports in Vermont. These include ten State-owned airports, with the State managing 90 runway miles at those facilities, five private airports, and the Burlington International Airport ("BIA"), which is municipally owned. During calendar year 2020, enplanements at BIA totaled 209,320, a decrease of 70.3% from the 705,165 enplanements in calendar year 2019 due to the public health measures taken to address the COVID-19 pandemic. Through November 2020, freight/mail cargo totaled 8.7 million pounds compared to roughly 14 million pounds through November 2019.

As of February 2021, the list of commercial air carriers serving BIA includes five national and regional carriers serving Atlanta, New York (John F. Kennedy and LaGuardia Airports), Newark, Philadelphia, two of the three Washington, D.C. area airports, and Charlotte, North Carolina. In addition, carriers also provide non-stop service to Chicago, Denver, Orlando, and Detroit. Delta Airlines continues to be a significant carrier, with other major carriers currently at BIA that include United Airlines, Jet Blue Airlines, American Airlines, Frontier Airlines, and their subsidiaries including Endeavor and Republic Airlines (subsidiaries of Delta Airlines), and PSA (a subsidiary of American Airlines).

On February 22, 2021, the Burlington International Airport announced that it had been awarded a $14.5 million grant for terminal improvements through the Federal Aviation Administration's ("FAA") Supplemental Airport Improvement Program. News reports indicate that airport management plans to use the federal grant funding to expand and create a two-story terminal that will consolidate the two current TSA checkpoints into one to make it more efficient and cost effective. The project is also expected to provide a framework for future terminal enhancements. Construction is expected to begin in July 2021, and the timeline for completion is roughly a year and a half. The grant from the FAA will cover 90% of the cost of the project with the remaining 10% of the funding covered by the airport's passenger facility charges.

Through November 2020, Rutland Southern Vermont Regional Airport ("RSVR") had 2,294 passenger arrivals and 2,324 passenger departures including regular passenger service offered via Cape Air. Freight/Mail cargo totaled 14,000 pounds through November 2020, down from 259,000 pounds of freight moved through RSVR through November 2019.

Utilities

General. Pursuant to 30 V.S.A. §218c1, each regulated electric or gas company is required to prepare and implement a least cost integrated plan (also called an integrated resource plan, or "IRP") for provision of energy services to its Vermont customers. The IRP process and the implementation of each Vermont utility's approved plan are intended to meet the public's need for energy services, at the lowest present value life cycle cost (including environmental and economic costs), through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. The State currently allows for "economic development" rates for portions of the power used by businesses in Vermont subject to the approval of the Vermont Public Utility Commission (the "Commission"), formerly the Vermont Public Service Board, the State utility regulatory body that grants certificates of public good for all utility projects. Many businesses have filed for and received approval for such rates in conjunction with their service provider over the past several years including large manufacturers and ski resorts.

Electricity. Vermont has three types of electric utilities: (i) investor-owned utilities (1), (ii) municipal electric departments (14), and (iii) member-owned rural electric cooperatives (2). These 17 electric distribution companies range in size from small municipal electric departments with several hundred customers to one large investor-owned utility, Green Mountain Power ("GMP"), with more than 260,000 customers. Vermont's electric utilities are regulated monopolies and operate under a Certificate of Public Good ("CPG") granted by the Commission. As regulated monopolies, rates and policies are subject to review by the Vermont Department of Public Service ("DPS") with approval by the Commission.

In recent years, there have been a number of developments that have contributed to the stability of the electric utility industry in Vermont. For example, Vermont is the only state in New England that has chosen not to restructure its electric industry by adopting retail competition. Because Vermont utilities own few of their own generation resources and participate in the New England electric wholesale market, State utilities share many characteristics with distribution companies in other New England states that have restructured. As such, when other states were moving aggressively toward retail choice, the State elected to preserve an approach where retail customers continue to receive service from vertically integrated, regulated electric utilities.[25] The State also has taken steps to move toward using more distributed energy sources — including wind, solar and other renewable sources. The State has set goals for Vermont to serve its energy needs from renewable sources, including to obtain 90% of its energy needs (including all uses such as electricity, heating and cooling, and transportation) from renewable sources by 2050. The State has set intermediate goals to obtain 25% of its energy needs from renewables by 2025 (including meeting 10% of the State's transportation energy needs from renewable sources by that same year), and 40% of the State's total energy needs from renewable sources by 2035 to facilitate its transition to the broader 2050 goal articulated above.

The State's energy goals also include taking steps to reduce per capita energy consumption in Vermont by 5% by 2025 and by more than 33% by 2050. The State also has renewable energy targets by source for electricity (at 67% renewable by 2025), thermal (at 30% renewable by 2025) and transportation (at 10% renewable by 2025). The State's progressive goals to reduce greenhouse gas emissions include a reduction target of 40% below 1990 levels by 2030 and a reduction target of between 80-95% below 1990 levels by 2050. A significant component of reaching the goals as set forth above is the reduction in energy use in aggregate and across all sectors. However, the State set specific consumption reduction targets for each sector separately. This was because Vermont's electric sector has had significant, prior success in reducing consumption by roughly one-third through a number of energy efficiency measures already undertaken across many users in this category. As a result, the State is expecting that most of the total energy consumption reduction going forward will likely come from the transportation and thermal (heating) sectors, largely through efforts to move away from inherently inefficient combustion technologies and toward electric vehicles and cold climate heat pumps.

Every six years, the DPS is required to complete and release updates to the State's Comprehensive Energy Plan (per 30 V.S.A. § 202b) (the "CEP") and the Vermont Electric Energy Plan (per 30 V.S.A. § 202) (the "EEP"). The next State CEP is required to be submitted to the Vermont General Assembly by no later than January 15, 2022. Recently, the State began the process of updating its CEP to design a process that will coordinate closely with other State agencies and with the newly-created Vermont Climate Council, which was initiated through the Global Warming Solutions Act (Act 153 of 2020). See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Climate Change Initiatives" herein. This new, collaborative process will ensure that the updated CEP will advance the State's policy objectives across multiple agencies and departments in numerous policy areas within State government. A review draft of the updated CEP is expected to be published for public comment during the Summer of 2021, with written comments accepted until October 2021. The final updated CEP, including full consideration of all feedback received to the draft plan, will then be forwarded to the Vermont General Assembly prior to the January 15, 2022 statutory deadline.

All of the State's electric utilities, including the largest utility GMP, have ownership in generating facilities, including wind, biomass and solar, and have put in place several long-term power purchase agreements that will enable the State to have adequate energy supplies over the next several years. Examples of such agreements include, (1) an agreement with NextERA Energy Resources, LLC—the owner of the Seabrook, New Hampshire nuclear power plant—to purchase initially 60 megawatts of power (decreasing to 40 megawatts later on in the contract) over a 23-year period that commenced in May 2011; and (2) an agreement with Hydro-Quebec to purchase 225 megawatts of power over the 2012-2030 time period. Further, it has in place power supply agreements with other renewable energy projects, including a total of 82.8% of the output from the 99-megawatt Granite Reliable Wind generation project in Coos County, New Hampshire over the next 20 years.

In 2017, the State began implementation of the Renewable Energy Standard ("RES"), the first requirement in the State for electric utilities to provide renewable energy to their customers. Prior to this, programs were in place in the State to support development of renewable resources, but the renewable attributes could be sold out of state, and therefore the energy from these resources did not necessarily provide a renewable power supply source for State residents and businesses. In addition, there are two current programs that predate the RES: (1) the Standard Offer program, and (2) the Net Metering program. The Standard Offer program is an economic development program that began in 2009 and is scheduled to end in 2022, with a program capacity of 127.5 megawatts (MW). This program has undergone several changes since its implementation, with the most notable being an expansion of the initial 50 MW cap and a transition to a competitive procurement process. Net-Metering has been available to Vermont electric customers for over 20 years. The program started as an avenue for electric customers to reduce electric purchases

[25] According to the DPS, a vertically integrated utility is one that is able to own generation resources or enter into long-term contracts with merchant generators. In other states, absent specific statutory mandates to the contrary, regulated utilities are not able to own generation or enter into contracts for periods of longer than five years.

from the utility with their own on-site generation. However, over the years, the program has transitioned to a mechanism that allows electric customers to invest in generation resources and reduce their electric bills. The output from projects built under these programs can be used for RES compliance, depending on the date the project was built. Based on experience to date, the DPS reports the RES has been successful in reducing Greenhouse Gas emissions with limited cost implications. This was reported to be in part due to program design, as well as the fact that the regional framework for tracking renewable attributes was put into place years ago by other New England states that had already adopted similar requirements. In addition to the power supply mandates, the RES requires electric utilities to reduce fossil fuel usage of their customers.

Nuclear Energy. Also affecting power supply on the regional level was the closure of the Vermont Yankee nuclear facility in Vernon (the "Vernon station"), owned and operated by Entergy Nuclear Vermont Yankee LLC ("Entergy"). The Vernon station permanently ceased electric power generation and was removed from the Independent System Operator in New England (ISO NE) grid on December 29, 2014. At that time, Entergy submitted a Post Shutdown Decommissioning Report to the Nuclear Regulatory Commission ("NRC"). This report estimated that the total cost for decommissioning the reactor would be $1.24 billion. The same report included an estimate that, as of August 2014, only $653 million had accrued in the decommissioning fund over the 42 years of operations of the Vernon station for this purpose. As a result, it is expected that full decommissioning will not occur for several decades and the plant will be decommissioned through the SAFSTOR process. The SAFSTOR process allows utilities to wait up to 60 years to complete full decommissioning activities, and it is expected that the SAFSTOR option will allow for the opportunity for the balance of the decommissioning fund to increase to the level needed to support the full decommissioning expenditure requirements of the Vernon station as contained in the decommissioning plan.

In January 2019, with approval from the NRC and the VPUC, Entergy sold the Vernon station facility, its spent fuel, and its decommissioning trust fund to the New York-based NorthStar Group Services. Under the agreement, NorthStar has pledged to clean up most of the Vernon station site by calendar year 2030, well in advance of the plan set forth by Entergy's SAFSTOR-based decommissioning/cleanup plan. The State continues to monitor developments surrounding the decommissioning of the Vernon station though the efforts of the DPS and the Commission.

Hydroelectricity. The State continues to closely track developments regarding the transmission of Canadian-generated electric power to under-supplied markets in other parts of the New England region. Given recent developments in other New England states, Vermont may still eventually play a supporting role in fulfilling at least some of this needed electric power transmission. In April 2017, TransCanada sold 13 hydroelectric power generation facilities located in the Connecticut River Valley (along the Connecticut and Deerfield Rivers between Vermont and New Hampshire) to Great River Hydro for $1.07 billion. Prior to the sale, TransCanada had owned the dams since 2005. These facilities have a combined "nameplate" generation capacity of 584 megawatts, which ranks this system as the largest conventional hydro-electric generation system in the New England region.

Natural Gas. Natural gas is an important source of energy, both environmentally and economically, in northwestern sections of Vermont that receive natural gas service through Vermont Gas Systems, Inc. ("VGS") transmission-distribution network. Natural gas is currently supplied to Vermont from a connection at Highgate Springs to the Trans Canada Pipeline. VGS serves more than 53,000 residential and nonresidential customers in the northwest region of the State through a network of more than 750 miles of underground transmission and distribution lines. The expansion of gas distribution systems within Chittenden County continues with additional transmission pipeline upgrade looping segments and other measures taken each year to increase the system's reliability.

In December 2013, VGS obtained a CPG from the Commission to undertake a roughly 43-mile expansion of its natural gas transmission pipeline from Chittenden and Franklin counties into Addison County. The expansion also included approximately five miles of new distribution mainlines in Addison County, together with three new gate stations located in Williston, New Haven, and Middlebury. The pipeline's construction was completed in 2017, and VGS has been continuously operating the system since April 2017.

Since the original approval of the Addison County project's CPG, there have been three major proceedings of significance related to the project: (1) a docket before the Commission as to whether pipeline construction's cost overruns and changes related to the cancellation of Phases 2 and 3 of the original construction plan required an amended CPG from the Commission, (2) an appeal by a citizen's group in an eminent domain proceeding employed by the project for a public land parcel used in the pipeline construction in the Town of Hinesburg, Vermont, and (3) a docket before the Commission relating to a violation of agreed-to construction standards for the portion of the pipeline through Clay Plains Swamp in New Haven, Vermont. The first proceeding was resolved when the Commission ruled that VGS was not required to obtain an amended CPG for the project changes. The decision was upheld after an appeal. The second proceeding was resolved in September 2017, when the Vermont Supreme Court upheld the decision by the Commission to allow the construction of the VGS pipeline to proceed through a municipally owned public park in Hinesburg, Vermont, which had "been taken" under the eminent domain procedures. The third proceeding, which is currently ongoing, involves whether VGS violated its CPG for the Addison County pipeline by failing to adhere to its agreed-to construction standards as set forth in the Commission's 2013 order, the CPG, and a memorandum of understanding (MOU) between VGS and Vermont Transco LLC/Vermont Electric Power Company, Inc. The initial findings by the Commission's hearing officer are that VGS did violate the 2013 order and the CPG issued by the Commission for an unapproved material deviation from the approved project construction plans. If this docket is ultimately resolved adversely to VGS, it remains unclear whether any civil penalties will be imposed and, if so, whether such penalties will have a material impact on VGS' current and/or future operations.

Telecommunications. Vermont currently has a robust and extensive telecommunications network. The State is currently served by well over a hundred companies that have been authorized by the Commission to provide local telephone service (though many companies are not actively marketing service), and hundreds more are authorized to provide long distance service within the State. Changing technology is bringing further options in the form of wireless service and Voice over Internet Protocol (VoIP), which provides a voice communications service similar to telephone service via a broadband internet connection.

Commercial and residential voice services is provided by ten incumbent local exchange carriers ("ILECs"). ILECs are the traditional carriers within their service territories and have a Provider of Last Resort (POLR) obligation to serve any reasonable request for service within their territory. Illinois-based Consolidated Communications ("CC"), which purchased FairPoint Communications for a reported $1.5 billion in July 2017, is the largest local phone company, serving about 85% of the State. CC is subject to an "incentive regulation" plan that allows it to introduce and change the prices of almost all services, but limits its ability to increase prices of dial-tone only services. The rates of Vermont's nine rural ILECs, or RLECs, which collectively serve about 15% of the State, are deregulated.

Within CC's service territory, consumers have choices of CC or various Competitive Local Exchange Carriers ("CLECs"), including two national cable video companies. The CLECs and toll providers are not subject to review of tariffs, but their prices are presumed to be reasonable due to their non-dominant position in the markets. Federal law allows the VPUC to consider whether the terms of service offered by wireless carriers are clear and reasonable, but does not allow the VPUC to establish limits on cellular service prices. Finally, the Federal Communications Commission has currently at least partially preempted State regulation of cable modem service and VoIP, and some issues of regulation of these new technologies remain uncertain.

Wireless telephone service in Vermont is provided by companies such as AT&T, Verizon Wireless, U.S. Cellular, T-Mobile, Sprint, and VTel Wireless. Of these providers, AT&T and Verizon Wireless have the deepest facilities-based penetration in Vermont. Mobile carriers are continuously expanding coverage and upgrading facilities to bring 4G/LTE service to existing coverage areas. The State's permitting regime has allowed expeditious deployment of wireless telecommunications facilities all around the State. Commercial Mobile Radio Service ("CMRS") providers offer both mobile and fixed data plans. Mobile data plans utilize a pricing model based on user consumption rather than speed of service. Mobile data services are often used to compliment users' primary internet connections. Vermont users typically rely on mobile service when traveling, but use a wireline connection at home or in the office. For rural consumers, mobile data is increasingly becoming a significant source for broadband internet access.

In 2014, the General Assembly dissolved the Vermont Telecommunications Authority (the "VTA"), which had been established in 2007 to coordinate the development of telecommunications infrastructure, as an independent, non-profit entity and redirected its resources to a new organization within State government called the Division for Telecommunications and Connectivity (the "DTC"). The DTC has a similar makeup and mission to that of the VTA, but is focused on bringing access to Vermonters to higher speed broadband service. The DTC promotes broadband development and improvements by coordinating State government initiatives, providing grants and planning, among other efforts as part of the Vermont Department of Public Service. The DTC has the ability to apply for support through the Vermont Universal Service Fund to assist in State efforts to expand and upgrade broadband service.

Over the past year, the myriad of impacts associated with the COVID-19 pandemic has put a renewed focus on the importance of the availability and affordability of broadband for State residents to facilitate access in areas such as education, tele-health, community engagement, and the ability to work from home. Late in calendar year 2020, the State released the preliminary findings of a report commissioned by the Vermont General Assembly designed to help provide reliable access connections to the nearly 60,000 State residents that either lack internet connections altogether or who currently have access to only poor service against the backdrop of the pandemic. The report included a number of near-term solutions, including: (1) establishing a State subsidy program for roughly 20,000 low-income households that currently cannot afford internet service (at an estimated cost of $7 million); (2) the establishment of "mobile hot spots" to provide service as a temporary measure to boost access to the internet during the pandemic to roughly 40,000 households across the State (at a cost of $2.4 million); (3) undertake line extensions to "unserved pockets" of the State for roughly 2,000 households that are located within or near areas already connected to broadband networks that could benefit from such extensions where private sector providers have failed to go to the last mile (at a cost of $5.6 million). The report also recommends that the State establish "community utility districts" ("CUDs") to facilitate the expansion of service. As part of that effort, the report also recommended that the State establish a "Broadband Corps," which would support the CUDs, mobilize people to test mobile hotspots, assist with household installations, and provide technical support to those who need it. These short-term measures associated with the State's COVID-19 recovery plans are intended to compliment the other efforts by the State towards achieving the State's long-term goals as set forth in its Long-Term Telecommunications Plan (as published in 2018). In that plan, the State has set a long-term goal that all State E911 address have 100/100 Mbps service by 2024. That Plan has made broadband investment a priority in the State given its increasing importance to economic development, remote working, telehealth, education, and the healthy functioning of communities.

Roughly $7 billion of the recently passed $900 billion COVID Relief Act was set aside for the development of broadband capacity in rural areas, including federal funds to provide $50 per month to assist low-income households pay for broadband access. Since the federal legislation passed in late December 2020, it is not yet clear how much of those federal aid dollars will benefit the State. In addition, in 2020, the Vermont General Assembly and the Governor allocated roughly $20 million of federal CARES Act dollars to help fund broadband expansion around the State. The ARP, which was recently signed into law, also includes significant additional funding support for the accelerated expansion of broadband in under-served areas in the State.

STATE FUNDS AND REVENUES

Budget Process

The Governor submits to the General Assembly, no later than the third Tuesday of every annual legislative session, a recommended budget for appropriations or other authorizations for State expenditures for the next succeeding fiscal year. The General Assembly then enacts into law an appropriation act, which must be approved by the Governor before expenditures may be made.

The budget process commences in July of each year when the Emergency Board determines estimates of available revenues based on a forecast for the next fiscal year. See "REVENUE ESTIMATES" herein. The Department of Finance and Management makes provisional allocations to the various budgetary entities ("Departments"), and an assessment of funding required to continue operations at the prior year's levels. Negotiation of revised or incremental funding levels, reflecting Departments' initiatives and priorities and directives from the Governor, while remaining within the projected revenue parameters, takes place through meetings between Departments and the Agency of Administration. Budget documents are submitted electronically, presenting appropriations and expenditures for the current and immediately prior fiscal years and the budget request for the subsequent fiscal year. The Emergency Board has historically updated the revenue forecast in January of each year, which may result in revised funding and programmatic recommendations, which are then presented by the Governor to the Legislature no later than the third Tuesday of every annual legislative session, as required by law. After extensive testimony, the Legislature passes an appropriations bill for consideration by the Governor. Once the bill is signed into law by the Governor, spending controls ("appropriations") are established in the State's financial management system before expenditures can be made.

Budgets are prepared and appropriated on a cash basis. The Governor may amend appropriations within certain statutory limits. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation, unless authorized to be carried forward to the following year(s) by session law. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Internal Control System

Managers across State government are responsible for seeking opportunities to improve their business processes and program results. The State of Vermont recognizes that appropriate internal controls must be in place to achieve these outcomes and minimize operational risks. The Department of Finance and Management works with departments across State government to assess and strengthen internal controls. An internal control system is designed to provide reasonable assurance regarding the achievement of objectives for effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The majority of these efforts are directed by a designated internal controls unit within the Department of Finance and Management. Tools developed to assist in this effort include annual internal control self-assessments, associated best business practices, quarterly newsletters, and performance of operational reviews in agencies and departments.

The State of Vermont manages statewide accounting operations centrally through an Oracle-based enterprise-wide financial management system (VISION). Enterprise software improves the State's business processes by providing expanded functionality and by incorporating "best practices" and standardized procedures.

Comprehensive Annual Financial Report

The audit of the State's fiscal year 2020 Comprehensive Annual Financial Report (the "Annual Report") was completed on December 29, 2020. The audited basic financial statements of the State for fiscal year 2020, together with CliftonLarsonAllen LLP's unqualified opinion on these statements, are included as Appendix A to this Official Statement and as part of the State's fiscal year 2020 Annual Report (pages 13 through 206) at Finance & Management's website at http://finance.vermont.gov/reports-and-publications/cafr.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Annual Report for the fiscal year ended June 30, 2019. This was the 12th consecutive year that the State has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The State has submitted its fiscal year 2020 Annual Report to the GFOA to determine its eligibility for additional certificates.

CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report referenced in this Official Statement, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP has also not performed any procedures relating to this Official Statement.

All fiscal year 2021 and fiscal year 2022 information set forth in this Official Statement is preliminary, unaudited and subject to change.

Government-Wide Financial Statements

Vermont's Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in the entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from the government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally tax receipts and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position (the amount by which assets and deferred outflow of resources exceed liabilities and deferred inflow of resources) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets including related deferred outflows of resources and deferred inflows of resources.

(2) Restricted – for amounts when constraints placed on the net assets are either externally imposed or are imposed by constitutional provisions or enabling legislation.

(3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Structure

The State's financial statements are structured into three fund types: governmental, proprietary and fiduciary. The funds in the governmental and proprietary fund types are further classified as "major" or "non-major" depending upon their size in relation to the other funds and importance to the financial statement users, as required by Governmental Accounting Standards Board ("GASB") Statement No. 34. (See Note I in the State's fiscal year 2020 audited financial statements for further explanation of these criteria.)

Governmental Fund Types

In accordance with GASB Statement No. 54, the fund balance amounts for governmental funds are reported in classifications that comprise a hierarchy (nonspendable, restricted, committed, assigned or unassigned) based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- **Nonspendable** fund balances include items that cannot be spent due to legal or contractual requirements to remain intact, and items that are not in spendable form.

- **Restricted** fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- **Committed** fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. The same type of formal action is necessary to remove or change the specified use.

- **Assigned** fund balances include amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed.

- **Unassigned** fund balances are the residual amount of the General Fund not included in the four categories above, and any deficit fund balances within other governmental fund types.

The general characteristics of the fund types are as follows.

<u>General Fund (Major Fund)</u>: By act of the General Assembly, the General Fund is established as the basic operating fund of the State. The General Fund is required to be used to finance all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any other designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Budget Stabilization Reserves."

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund (Major Fund): Revenues of this fund are used for expenditures associated with overall construction and maintenance of the State's transportation system, state police, debt service requirements on general obligation bonds and notes issued for transportation capital projects (which include the State Transportation and Highway bonds and notes). The principal sources of revenue in this fund are Motor Fuel Taxes, Purchase and Use Taxes, license and permit fees for motor vehicles, and reimbursements from the federal government for highway programs. Within the Transportation Fund there exists a sub-fund, the Transportation Infrastructure Bond Fund (the "TIB Fund"), to which assessments on gasoline and diesel fuel are credited as dedicated revenues. Under State law, these revenues are used first for debt service requirements on the State's special obligation transportation infrastructure bonds, any associated reserve or sinking funds and any associated costs of such bonds. To the extent additional TIB Fund resources are available for such purposes, these revenues are used for pay-as-you-go capital projects or other authorized purposes. See "STATE INDEBTEDNESS – Transportation Infrastructure Bonds" herein. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Budget Stabilization Reserves."

Education Fund (Major Fund): Established by the Equal Educational Opportunity Act of 1997 and effective July 1, 1998, the revenues of this fund finance the State's support of K-12 public education, as well as property tax reform. In accordance with 16 V.S.A. 4025(a) as amended, the sources of revenue in this fund are as follows: statewide education property tax; revenues from the State lotteries; revenue from the electric generating plant education property tax; revenue from Sales and Use Tax; one-third of the motor vehicle Purchase and Use Tax; 25% of the Meals and Rooms Tax; Medicaid reimbursements pursuant to 16 V.S.A. 2959a(f) and (g) and funds appropriated or transferred by the General Assembly. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Federal Revenue Fund (Major Fund): All federal grant receipts are recorded in this fund, except for those federal funds specifically earmarked for the Global Commitment to Health Medicaid section 1115 waiver, transportation or fish and wildlife purposes. Grants of these types are recorded in the State's Global Commitment Fund, Transportation Fund and Fish and Wildlife Fund, respectively. Major categories of expenditure within the Federal Revenue Fund are for various health, education and welfare programs, the State counterpart of which is reflected in the General and Special Funds.

Special Fund (Major Fund): These funds account for proceeds of specific revenues not otherwise categorized that are limited to expenditures for specific purposes. These purposes cover the entire spectrum of State government.

Global Commitment (to Health) Fund (Major Fund): This is a major special revenue fund created in 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal government. During fiscal year 2017, the waiver agreement was renewed through December 31, 2021. During calendar year 2021, the State expects to submit its application for renewing the waiver agreement beyond December 31, 2021.

Fish and Wildlife Fund (Non-major Fund): Receipts are restricted by statute and can only be used for fish and wildlife purposes. The principal sources of revenue are license fees and Federal grants.

Capital Project Funds (Non-major Funds): These funds account for capital improvement appropriations that are or will be primarily funded by the issue of State bonds. Separate bond funds are maintained as corollaries to both the General Fund and Transportation Fund.

Debt Service Funds (Non-major Funds): These funds account for and report financial resources that are used to pay debt principal and interest. Separate debt service funds are maintained for general obligation bonds and special obligation transportation infrastructure bonds. Appropriated General, Transportation and Special Fund resources are transferred to the General Obligation Bonds Debt Service Fund for debt service payments on general obligation bonds. Appropriated TIB Fund resources are transferred to the Transportation Infrastructure Bonds Debt Service Fund for debt service payments on special obligation transportation infrastructure bonds.

Permanent Funds (Non-major Funds): These nine funds report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or its citizenry, such as higher education, cemetery care and monument preservation.

Proprietary Fund Types

Enterprise Funds: These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the State's intent is that the costs of providing goods or services to the public be financed or recovered primarily through user charges, or (b) where the State has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These types of funds are reported in both major (3 funds) and non-major (6 funds) categories as described above.

Internal Service Funds: There are 24 funds of this non-major type reported by the State. These funds are used to account for the financing of goods and services provided by one State department or agency to other State departments, agencies, or other governmental units on a cost-reimbursement basis. These funds are consolidated into one column and are reported in the Proprietary Funds' financial statements.

Fiduciary Fund Types

These funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These funds include the following:

Pension and Other Employee Benefit Trust Funds: These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund, the Retired Teachers' Health and Medical Benefit Fund and the Vermont Municipal Employees' Health Benefit Fund. See "PENSION PLANS."

Private Purpose Trust Fund: The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The State Treasurer administers procedures for returning this property to its rightful owner if he/she can be located. In addition to monetary assets, from time to time the State Treasurer may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of $100,000 or 55 percent of the amount received during the previous year, and the balance is transferred to the General Fund. Amounts for which the eligibility period for being claimed has expired are transferred to the Higher Education Endowment Fund (a permanent fund).

Agency Funds: These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding and State income tax withholding.

GAAP-Based Fund Results

The following is selective comparable financial information based on audited financial data for specific governmental funds for fiscal years ending June 30, 2020 and 2019 as contained in each fiscal year's Annual Report.

As of June 30, 2020, the General Fund had a $264.5 million total fund balance as compared to a $212.8 million total fund balance as of June 30, 2019, an increase of $51.7 million. This increase is a combination of a $52.7 million increase in the unassigned portion of this fund balance to $195.5 million in 2020, and a $3.1 million increase in the assigned portion of this fund balance to $12.4 million in 2020, offset by a $4.1 million decrease in the nonspendable portion of this fund balance to $56.6 million in 2020. As of both June 30, 2020 and June 30, 2019, there was no fund balance in the General Fund categorized as restricted or committed.

As of June 30, 2020, the Transportation Fund had a $5.6 million total fund balance as compared to a $33.5 million total fund balance as of June 30, 2019, a decrease of $27.9 million. This decrease is the combination of a decrease in the restricted portion of this fund balance from $4.6 million in 2019 to $0 in 2020, and a decrease in the committed portion of this fund balance from $28.9 million in 2019 to $5.6 million in 2020. This committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2020 and June 30, 2019, there was no fund balance in the Transportation Fund categorized as nonspendable, assigned or unassigned.

As of June 30, 2020, the Education Fund had a committed and total fund balance of $96.2 million, as compared to a $103.5 million total fund balance as of June 30, 2019, a decrease of $7.3 million. This committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2020 and June 30, 2019, there was no fund balance in the Education Fund categorized as nonspendable, restricted, assigned or unassigned.

As of June 30, 2020, the budget stabilization reserves in the General, Transportation, and Education Funds were funded at their respective maximum statutory levels as determined on a budgetary basis of accounting.

As of June 30, 2020, the Global Commitment Fund had a total fund balance of $29.1 million, an increase of $2.8 million compared to the balance as of June 30, 2019. See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Medicaid and State Health Insurance Initiatives" herein. The Global Commitment Fund has no legislatively mandated budget stabilization reserve.

As of June 30, 2020, the Federal Revenue Fund reported a total fund balance of $472.7 million, which was a decrease of $5.1 million compared to the June 30, 2019 balance of $477.8 million. The entire fund balance is restricted by agreements with the grantors. There is no budget stabilization reserve in the Federal Revenue Fund

State General Fund Revenues

Prior to fiscal year 2019, the principal sources of State General Fund revenues were the Personal Income Tax, the Corporate Income Tax, a general State Sales and Use Tax, and a Meals and Rooms Tax. These four tax sources accounted for 87.2% of the General Fund revenue in fiscal year 2018. In 2018, the Vermont General Assembly passed Act 11 of 2018, which, effective July 1, 2018 (corresponding to the beginning of fiscal year 2019), ended the annual transfer from the General Fund to the Education Fund and dedicated 100% of revenues from the State Sales and Use Tax and 25% of revenues from the Meals and Rooms Tax to the Education Fund (prior to Act 11, these sources of revenue were dedicated to the General Fund). Further, in 2019 the Vermont General Assembly passed Act 6 of 2019, which, effective retroactively as of July 1, 2018 (corresponding to the beginning of fiscal year 2019), brought a series of health care taxes and fees into the General Fund. Accordingly, commencing in fiscal year 2019, the principal sources of State General Fund revenues are the Personal Income Tax, the Corporate Income Tax, a Meals and Rooms Tax, and revenues from various health care taxes, fees and assessments. In fiscal year 2020, these reconfigured revenue sources accounted for $1.471 billion in revenue, corresponding to 88.7% of total revenue available to the General Fund in fiscal year 2020.

The following is a brief discussion of the principal General Fund revenue sources for fiscal year 2020.

<u>Personal Income Tax</u>: From January 1, 1994 through December 31, 1999, Vermont Personal Income Tax was calculated as 25% of a taxpayer's federal income tax liability. On January 1, 2000, the Vermont Personal Income Tax rate was reduced to 24% of the taxpayer's federal income tax liability. For tax years 2001 and 2002, Vermont Personal Income Tax liability was redesigned to substantially maintain the State's revenue base prior to the passage of the federal tax cuts that were effective in 2001 and in 2003. During the 2002 meeting of the Vermont General Assembly, the temporary measure of calculating Vermont income tax based on federal taxable income for tax years 2001 and 2002 was made permanent by the development and implementation of standardized Vermont tax tables utilizing the same revenue base maintenance approach devised under the 2001 to 2002 temporary change. During the 2015 session, the Vermont General Assembly passed legislation that reduced or eliminated certain tax deductions for Vermont Personal Income Tax purposes. These included the elimination of the deduction for state and local taxes paid, and placed a cap at 2 ½ times the standard deduction (excluding medical and charitable deductions) on the amount of itemized deductions for taxpayers. In addition, the 2015 changes included a 3.0% minimum Vermont Personal Income Tax for all filers with an adjusted gross income at or above $150,000. During the 2018 special legislative session, the General Assembly passed a proposal initially set forth by the Governor to adjust Vermont tax rates and make other changes designed to offset the resulting revenue-raising impacts of the federal Tax Cuts and Jobs Act of 2017 (the "TCJA") on Vermont State income taxpayers (which were expected to result in a net state tax increase of $30 million to be borne by Vermont taxpayers). In particular, the final legislation

(i) set by law the amounts for the State standard deduction and personal exemption (rather than cross-referencing federal definitions), thus eliminating the adverse impact of the TCJA changes to those two items; (ii) eliminated itemized deductions in Vermont[26]; (iii) eliminated the second highest income bracket; (iv) reduced the tax rate on all the remaining four income brackets by 0.2% (offsetting the increase in the tax base affected by clause (ii) of this sentence); and (iv) included a charitable donation tax credit of 5% and increased the earned income tax credit to 36% (from 32%). The final legislation offset much of the TCJA's increases on many middle-income Vermont households and significantly reduced the State income tax consequences of the TCJA's revenue-raising provisions, while simultaneously increasing the stability of Vermont's personal income tax revenue by broadening the tax base and decoupling State taxes from federal definitions. In fiscal year 2020, Personal Income Tax revenues did not appear to be significantly adversely impacted by the pandemic given the historically unprecedented amount of federal income-support payments received pursuant to the CARES Act and the COVID Relief Act and the strong 2020 performance in the U.S. stock market. As a result, fiscal year 2020 Personal Income Tax revenues were $925.8 million or 55.8% of revenues available to the General Fund.[27]

Corporate Income Tax: From January 1, 1997 until January 1, 2006, the net income of corporations was taxed at the greater of $250 or the following rates: first $10,000 – 7.0%; next $15,000 – 8.1%; next $225,000 – 9.2%; excess over $250,000 – 9.75%. For tax year 2006, the tax was the greater of $250 or: first $10,000 – 6%; the next $15,000 – 7%; next $225,000 – 8.75%; excess over $250,000 – 8.9%. Beginning in 2007, the rates were unchanged through $25,000 and the rate on the excess over $25,000 was 8.5%. For the tax years beginning in 2002, Vermont made adjustments to its Corporate Income Tax designed to substantially maintain the State's tax base that was in effect prior to the changes in depreciation expenses included in federal stimulus legislation effective in 2001. Subsequent federal bonus depreciation legislation has not reduced the State's base because of these adjustments. Beginning with tax year 2006, the income of affiliated corporations operating a unitary business was computed using the combined reporting methodology. Also beginning with tax year 2006, the three-factor formula for apportioning income earned from a multi-state business was modified to weight the percentage of sales in the State at 50% and the percentage of property and payroll at 25% each (prior law weighted each factor as one-third). Beginning on July 1, 1998, 19% of the gross tax collected on corporate income (including S corporations, partnerships, and limited liability companies) was allocated from the General Fund to the Education Fund. Effective July 1, 2004, 100% of the gross receipts from this tax remains in the General Fund. Corporate Income Tax receipts in recent years have been impacted by mergers and acquisitions activity within the State and the impacts associated with the TCJA, which included the repatriation of corporate profits from overseas operations for some multinational taxpayers. In addition, in June 2019 the General Assembly passed Act 51 of 2019, which made certain changes to Vermont tax laws, including the adoption of market-based sourcing. Pursuant to this legislation, commencing in tax years beginning on or after January 1, 2020, a multistate corporation's sales, other than sales of tangible personal property, will be sourced to Vermont if the taxpayer's market for the sale is in Vermont. At least a portion of the increased Corporate Income Tax receipts received during fiscal year 2020 may have been the result of this tax law change. In fiscal year 2020, receipts from the Corporate Income Tax were $147.9 million or 8.9% of the revenues available to the General Fund.

Meals and Rooms Tax: A 9% tax is imposed on taxable meals and the rent for each occupancy. The Meals and Rooms Tax imposed on liquor consumed on the premises is 10%. Through June 30, 2004, the law required a statutory transfer of 20% of gross receipts less the sum of $1.56 million from the General Fund to the Education Fund. Since July 1, 2004, 100% of the gross receipts from this tax will remain in the State's General Fund. During the 2015 session, the Vermont General Assembly passed legislation that made the 9% meals tax applicable on all food sold in vending machines effective July 1, 2015. Since fiscal year 2017, the State has been receiving rental occupancy revenues from Airbnb providers, a fast growing, but non-traditional group of room providers in the State that previously had not been remitting Meals and Rooms Tax to the State. Pursuant to Act 11 of 2018, commencing in fiscal year 2019, 25% of Meals and Rooms Tax revenues is allocated to the Education Fund and 75% of Meals and Rooms Tax revenues is allocated to the General Fund (see "STATE FUNDS AND REVENUES – State Education Fund Revenues"). In fiscal year 2020, aggregate Meals and Rooms Tax revenues amounted to $163.6 million, as the COVID-19 pandemic resulted in a reduction in tourism activity across the State. Of this amount, $116.1 was allocated to the General Fund (accounting for 7.0% of the revenues available to the General Fund) and $40.9 million was allocated to the Education Fund (as discussed below).

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[26] The impact of the TCJA significantly reduced the number of "itemized filers" in the tax year subsequent to the passage of the TCJA. With a smaller percentage of taxpayers filing "itemized returns," the Vermont General Assembly also took actions to eliminate the recognition of itemized deductions in Vermont for simplicity and to increase the taxable income base subject to State income taxes.

[27] The term "available" in this context means "available" revenues for the purposes of appropriations in the General Fund.

Insurance Tax: Insurance companies are taxed at a rate of 2.0% per annum on the gross amount of premiums and assessments written in the State, exclusive of premiums for reinsurance. Additionally, captive insurance companies are taxed based on the volume of premiums written. The rate schedule for captive insurance rates was reduced in 2003 to a range from .0038 to .00072 (from previous rates of .004 to .00075) in order to reinforce the State as a preferred domicile for captive insurers in an increasingly competitive industry climate. In fiscal year 2020, insurance taxes accounted for $58.0 million or 3.5% of the revenues available to the General Fund.

Telephone Receipts and Property Tax: In addition to the general Corporate Income Tax, a tax of 2.37% is levied on net book value of personal property in the State of persons or corporations owning or operating a telephone line or business within the State. For businesses with less than $50,000,000 in annual gross operating receipts in the State in the preceding taxable year, taxpayers may elect to pay the gross receipts tax of 5.25% in lieu of the income and property tax. Effective June 7, 2004, no new elections to pay the gross receipts tax may be made. Beginning in fiscal year 2017, payers of the property tax portion of the State's Telephone Tax were required to make monthly payments of their tax liabilities instead of quarterly. In fiscal year 2020, telephone receipts and property taxes generated $3.2 million or 0.2% of revenues available to the General Fund.

Real Property Transfer Tax: A tax is imposed upon the transfer by deed of title to property located within the State. The rate is 0.5% on the first $100,000 of a purchaser's principal residence and 1.25% on the amount over $100,000. For a non-principal residence, the rate on the entire amount is 1.25%. Beginning in fiscal year 2000, 33% of the receipts from the property transfer tax are retained by the General Fund, and the remainder deposited directly into the Housing and Conservation Trust Fund and the Municipal and Regional Planning Fund. In recent years, the General Assembly has often modified this formula to the benefit of the General Fund. During the 2015 session, the Vermont General Assembly passed legislation that imposed a 0.2% surcharge on all transactions subject to the Property Transfer Tax for the period from July 1, 2015 through June 30, 2018. The proceeds of this surcharge were earmarked for the Clean Water Fund (the "CWF"), a new special fund created to provide resources to assist in pollution mitigation efforts for Lake Champlain. (See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Clean Water Initiatives" herein.) The 2017 Vermont General Assembly repealed the June 30, 2018 sunset of the 0.2% Property Transfer Tax surcharge on all transactions subject to the Property Transfer Tax and extended it through June 30, 2027. From July 1, 2027 through June 30, 2039, the 2017 Vermont General Assembly reduced the surcharge to 0.04%. The 0.04% surcharge then sunsets on July 1, 2039. The proceeds of the surcharge through June 30, 2017 were earmarked for the CWF. For fiscal year 2018 and beyond, the proceeds of the surcharge will be used to support affordable housing funded through the Vermont Housing and Conservation Trust Fund (the "VHCTF") and clean water initiatives funded through the CWF. Annually until the surcharge sunsets in 2039, the VHCTF will receive the first $1.0 million of all Property Transfer Tax surcharge revenue with the exception of fiscal year 2018. For fiscal years 2018 and 2019, the first $1.0 million in surcharge revenue was deposited in the General Fund. The remainder of all surcharge revenue until June 30, 2027 must be deposited into the CWF. After June 30, 2027, when the surcharge rate declines to 0.04%, the remainder of all surcharge revenue will be deposited into the VHCTF. In addition, as authorized by the 2017 Vermont General Assembly, commencing in fiscal year 2019, the first $2.5 million of collected gross Property Transfer Tax receipts each fiscal year are required to be transferred to the Vermont Housing Finance Agency (the "VHFA") for payment of principal and interest on bonds issued in January 2018 to facilitate the construction of affordable housing in Vermont (see "STATE INDEBTEDNESS – Reserve Fund Commitments" herein). Further, in 2019, the Vermont General Assembly expanded the taxable base of the Property Transfer Tax and Clean Water Surcharge base to include "controlling interests."[28] In fiscal year 2020, gross receipts from the Property Transfer Tax totaled $42.3 million. After the required transfer of $1.0 million to the VHCTF, $2.5m million to VHFA and other required statutory transfers, net receipts totaling $12.9 million or 0.8% of revenues available were retained by the General Fund and were available for General Fund appropriations in fiscal year 2020.

Liquor Tax: A tax of 25% of gross revenues is assessed upon the sale of spirituous liquor. In fiscal year 2020, gross liquor taxes generated $21.6 million or 1.3% of General Fund revenues available for appropriation. Beginning in fiscal year 2020, the Liquor Tax has been re-structured as an annual transfer to the General Fund by the Department of Liquor Control from revenues tied to its annual profits from operations with receipts from a single remaining tax assessment inuring directly to the State's General Fund.[29]

[28] This would include property transfers where a business or entity takes a majority ownership stake in a property without a title change.

[29] For fiscal years 2021 through 2023, the remaining General Fund tax is expected to result in revenues available to the General Fund range between $4.2 million in fiscal year 2021 and $4.4 million in fiscal year 2023—according to the January 2021 consensus revenue forecast.

Beverage Tax: Beverage taxes are levied on bottlers and wholesalers of malt and vinous beverages at the rates of $0.265 and $0.55 per gallon, respectively. Vinous beverages are also subject to the general State sales tax. Beverage taxes accounted for $7.2 million or 0.4% of General Fund revenues available for appropriation in fiscal year 2020.

Estate Tax: Transfers of estates are taxed in an amount equal to the federal credit for State death taxes as computed from the Internal Revenue Code in effect on January 1, 2001. For tax year 2009 through tax year 2019, the Estate Tax exclusion for the State ranged from a low of $2.0 million (in tax year 2009) to a high of $2.75 million (by tax year 2019). Beginning on January 1, 2020, the Estate Tax exclusion rose from $2.75 million to $4.25 million. The Estate Tax accounted for $15.2 million or 0.9% of revenues available to the General Fund in fiscal year 2020.

Bank Franchise Tax: The State levies a bank franchise tax based on average monthly deposits. The tax rate on such deposits was increased from .004% to .0096% pursuant to Act 60 Property Tax Reform legislation. Beginning on July 1, 1998 and through June 30, 2004, 58.3% of total collections in this tax source are allocated to the Education Fund. As of July 1, 2004, 100% of gross receipts from this tax have been dedicated to the General Fund. Beginning in fiscal year 2017, tax payments were to be remitted monthly instead of quarterly. For fiscal year 2020, bank franchise tax revenues were $12.1 million, which represented 0.7% of revenues available to the General Fund.

Health Care Taxes-Revenues: Beginning in fiscal year 2019, Act 6 of 2019 directed a series of taxes, fees, and assessments on cigarette-tobacco-vaping products, and on a defined set of health care services and activities undertaken by providers in the State, to be reported under the General Fund and become a part of the consensus State revenue forecasting process. As a result, commencing in fiscal year 2019, the State's General Fund includes revenues from: (1) the State tax on cigarette, tobacco, and vaping products (at $71.4 million dollars in fiscal year 2020 or 4.3% of the revenues available to the General Fund), (2) a health care claims tax (at $16.9 million dollars in fiscal year 2020 or 1.0% of the revenues available to the General Fund), (3) an employer assessment (at $20.2 million dollars in fiscal year 2020 or 1.2% of the revenues available to the General Fund), (4) a hospital provider tax (at $150.2 million dollars in fiscal year 2020 or 9.1% of the revenues available to the General Fund), (5) a nursing home provider tax (at $14.7 million dollars in fiscal year 2020 or 0.9% of the revenues available to the General Fund), (6) a home health care provider tax (at $5.6 million dollars in fiscal year 2020 or 0.3% of the revenues available to the General Fund), and (7) a number of revenue assessments on selected health care activities in the State (at $1.9 million dollars in fiscal year 2020 or 0.1% of the revenues available to the General Fund). Together, these revenue sources totaled $280.9 million in collections in fiscal year 2020, corresponding to 16.9% of revenues available to the General Fund.

Other Taxes-Fees: In addition to the taxes discussed above, the State levies taxes and other minor fees and related income (including net interest earnings on cash balances allocable to the General Fund) that are credited to the General Fund. Commencing in fiscal year 2017, this category included a doubling in securities registration fees as passed by the 2016 Vermont General Assembly. In addition, one-time revenues were received in fiscal year 2017 from tax preparer software companies to compensate the State for tax year 2016 errors pertaining to the Personal Income Tax changes enacted by the 2016 Vermont General Assembly. Net revenues in this category for fiscal year 2020 were $57.5 million or 3.5% of revenues available to the General Fund.

State Transportation Fund Revenues

The following is a brief discussion of the major sources of Transportation Fund revenues and the amount derived from each source in fiscal year 2020.

Purchase and Use Tax: A Purchase and Use Tax that is equivalent to the sales tax rate is assessed on the "taxable cost" (purchase price or value, less allowance for resale value of buyer's used vehicle) upon first registration of the motor vehicle. Effective August 1, 1997, the Purchase and Use Tax was increased from 5% to 6% pursuant to Act 60 property tax reform legislation. Beginning on July 1, 1998, 16.7% of total collections in this tax source began to be deposited directly into the Education Fund. Effective July 1, 2000, a $750 ceiling on trucks over 6,100 lbs., agricultural vehicles, school buses, trailers, and motorcycles was increased to $1,100. As of July 1, 2004, one-third of gross receipts collected under this tax is deposited directly into the Education Fund pursuant to Act 68 of the Acts of 2003. During the 2006 session, the Vermont General Assembly changed the statutory cap on taxes paid to $1,680 effective July 1, 2007. The 2009 Vermont General Assembly and the 2016 Vermont General Assembly also made minor changes to this tax (e.g. an increase in the dollar amount of the cap on truck purchases below which this tax is assessed). After the statutory transfer of one-third of gross revenue receipts to the Education Fund, net revenues to the State Transportation Fund in fiscal year 2020 totaled $70.3 million, representing 26.6% of net revenues available to the Transportation Fund.

Motor Vehicle Fees: A registration fee is collected on all motor vehicles and trailers with the amount determined by the type, size, weight, and function of the vehicle. Driver's license fees are also included in this category as well as miscellaneous registration and license fees. During the 2006 session, the Vermont General Assembly passed legislation that generally increased all motor vehicle fees effective July 1, 2007. In 2009, 2012, and 2016, the Vermont General Assembly increased certain fees. In fiscal year 2020, motor vehicle fees accounted for $83.6 million, or 31.7% of net revenues and fees available to the Transportation Fund.

Motor and Diesel Fuel Taxes: Effective August 1, 1997, pursuant to Act 60 property tax reform legislation, gasoline distributors are taxed at a rate of 19.0 cents (plus one cent per gallon petroleum licensing fee) per gallon sold. Beginning on July 1, 1999 and through June 30, 2004, 16.0% of total Gasoline Tax collections were allocated to the Education Fund. Effective July 1, 2004, 100% of the tax collected from gasoline distributors is dedicated to the Transportation Fund pursuant to Act 68 of the Acts of 2003. In fiscal year 2009, the Vermont General Assembly imposed a 2% assessment on the retail price of gasoline. Revenue from the assessment (along with a 3 cent-per-gallon assessment on diesel fuel that is collected at the wholesale level) is segregated from all other Transportation Fund revenue in a special fund, the TIB Fund, which is dedicated to the payment of the debt service on transportation infrastructure revenue bonds. See "STATE INDEBTEDNESS – Transportation Infrastructure Bonds" herein. Effective May 1, 2013, the ad valorem per gallon tax on gasoline was reduced from 19.0 cents per gallon to 18.2 cents per gallon and a new 2% Transportation Fund Assessment on the quarterly retail price of gasoline (subject to a 6.7 cents per gallon minimum and a 9.0 cents per gallon maximum) was levied through June 30, 2014. Effective July 1, 2014, a 4% levy is assessed on the retail price of gasoline (with a floor of 13.4 cents per gallon and a maximum of 18 cents per gallon) and the ad valorem tax per gallon was reduced by 6.1 cents to 12.1 cents per gallon. Since 2014, there have been only minor adjustments (e.g. a change in the shrinkage allowance) to this tax. In fiscal year 2020, the motor fuel tax accounted for $71.0 million or 26.9% of net revenues available to the Transportation Fund.

Since 2000, a Diesel Tax has been imposed at the distributor level at 25 cents per gallon. Diesel fuel is also subject to the one-cent petroleum-licensing fee. Effective July 1, 2013, the ad valorem per gallon tax on diesel fuel was increased from 25 cents per gallon to 27 cents per gallon through June 30, 2014. Effective July 1, 2014, the Diesel Tax increased to 28 cents per gallon. Since 2014, there have been only minor adjustments (e.g. a change in the shrinkage allowance) to this tax. In fiscal year 2020, the Diesel Tax accounted for $17.9 million or 6.8% of net revenues available to the Transportation Fund.

Other Taxes-Fees: These categories include all remaining sources of revenue for the Transportation Fund except Federal receipts. Some of the items are registration fees on off-road vehicles, inspection sticker fees, title certificates, oversize permits, motorcycle training fees, trip permits, a tax on jet fuel, rail revenue, and revenue from judicial fines and penalties. During the 2006 session, the Vermont General Assembly passed legislation that changed the level of several fees in this category effective July 1, 2007. The 2009 Vermont General Assembly also changed other fees, effective July 1, 2009. Since 2009, there have been only minor changes made to this group of taxes and fees. In fiscal year 2020, these other sources of revenues accounted for $21.3 million or 8.0% of net revenues available to the Transportation Fund.

State Education Fund Revenues

In 1997, Vermont passed comprehensive legislation aimed at responding to a Vermont Supreme Court decision holding its system of funding education unconstitutional. The resulting law, known as Act 60, mandated substantial change to both the focus and funding of K-12 education. The focus of the system is on academic outcomes for children, incorporating standards based on performance and assessment while making the funding effort equitable between towns. The State has made several major changes to its funding model for primary and secondary public education since 1997.

Prior to Act 60, each school district funded educational expenditures within that district and set property tax rates and collected school taxes from the property owners of the district. School tax rates were determined by each school district and ranged from as little as $0.125 per $100 of listed property value in one school district to over $3.00 per $100 in another, adjusted for inequities in town grand lists of property values. The State gave aid through a foundation formula to help those towns that could not raise sufficient revenues.

Act 60 established an Education Fund with a number of revenue sources. The primary source is a statewide property tax and, until fiscal year 2019, a transfer from the State's General Fund. Prior to fiscal year 2019, other revenue sources to the Education Fund included (i) revenues from the State lotteries under Chapter 14 of Title 31, (ii) 36% of the State's Sales and Use Tax, (iii) one-third of the State's motor vehicle Purchase and Use Tax and (iv) certain other revenues and fees. Commencing in fiscal year 2019, Act 11 of 2018 ended the annual transfer from the General Fund to the Education Fund and dedicated 100% of revenues from the State Sales and Use Tax and 25% of revenues from the Meals and Rooms Tax to the Education Fund (formerly these sources of revenue were dedicated to the General Fund). Accordingly, commencing in fiscal year 2019, in addition to the statewide property tax, the other revenue sources to the Education Fund include (i) revenues from the State lotteries under Chapter 14 of Title 31, (ii) 100% of the State's Sales and Use Tax, (iii) 25% of the State's Meals and Rooms Tax, (iii) one-third of the State's motor vehicle Purchase and Use Tax and (iv) certain other revenues and fees.

The following is a discussion of the major sources of Education Fund revenues and the amount derived from each source in fiscal year 2020.

<u>Statewide Property Tax; Property Tax Reform</u>. Under Act 60, the Legislature established a statewide property tax at a rate of $1.10 per $100 of assessed value. In addition, under the Act, the State provided a block grant from the Education Fund to each school district on a per student basis commencing in fiscal year 1999. The law provided for the amount of the grant to grow based on the inflation index each year. Districts spending more than the block grant were paid from a subdivision of the Education Fund based on a supplemental, or local share, property tax with a unit rate set so that the total collected from all districts with spending over the block grant equaled the amount of the spending. The more a district spent per pupil above the block grant, the higher its local share rate would be.

In 2003, the Legislature passed Act 68, which was implemented in fiscal year 2005 and modified the statewide property tax system by classifying property as either homestead or non-homestead, taxing those classes differently. Homestead property was assessed at the rate of $1.10 per $100 of assessed value, multiplied by the district spending adjustment, while all other property was assessed at $1.59 per $100 and was not subject to the district spending adjustment. These rates have been adjusted annually based upon the Education Fund balance. For fiscal year 2020, the homestead and non-homestead rates were $1.510 and $1.594, respectively.

Act 68 of 2003 also included an excess spending provision designed to discourage high per-pupil spending by school districts. Districts spending over the annual threshold are taxed a second time on the excess spending amount. The threshold amount is calculated annually as the product of (i) the statewide average district education spending per equalized pupil in the prior fiscal year, multiplied by (ii) a specified percentage. Act 68 set this percentage as 135% in fiscal year 2005, 130% in fiscal year 2006 and 125% in fiscal year 2007 and thereafter. In 2013, legislation was passed (Act 60 of 2013) that decreased the percentage to 123% in fiscal years 2015 and 2016, and to 121% in fiscal year 2017 and thereafter. In 2014, the Legislature passed Act 174, which modified the threshold amount calculation such that, rather than looking at data from the prior fiscal year, it would be based on the statewide average district education spending per equalized pupil in fiscal year 2014 adjusted for inflation. The base year was subsequently changed to fiscal year 2015 by Act 132 of 2016. The net effect of these changes was to lower the threshold above which school districts incur an additional tax for higher per pupil education costs.

In addition to business property tax relief provided to industrial and commercial owners, Act 60 and Act 68 each provided that any household with income of less than $75,000 would not pay more than 2% (adjusted for per pupil district spending) of that income for the statewide school taxes. The household income amount was raised to $85,000 for fiscal year 2007 and to $90,000 for fiscal year 2008 and after. If a household's income is over $90,000, the taxes on the first $225,000 of equalized homestead value may be eligible for calculation of an adjustment not based on income. Prior to July 1, 2019, taxpayers might be eligible for additional benefits if their income was under $47,000 and the total applicable tax (municipal and school) exceeds between 2.0% and 5.0% of their income based on a tiered scale. Effective July 1, 2019, such percentages were reduced to 1.5% and 3.0%. The maximum adjustment amount for claims filed in fiscal year 2007 was $10,000, reduced to $8,000 for claims filed in fiscal year 2008 and after.

In 2006, the Legislature passed Act 185, which significantly altered the way property tax adjustments were paid. Whereas payments were formerly made directly to eligible taxpayers, with the passage of Act 185, adjustments were paid to the municipalities in which the funds were used to reduce the payable amount on taxpayers' property tax bills. For fiscal year 2008, that amount was paid to the municipality in which the homestead was located on or around July 1, 2007 for timely filed homestead declarations. A second payment to the municipalities occurred on or around September 15, 2007 for late filed declarations. For each fiscal year from and after fiscal year 2009, municipalities were notified of any property tax adjustment that was to be credited to a taxpayer's bill, but only the municipal tax portion of the adjustment was paid to the municipalities. Beginning in fiscal year 2010, property tax adjustments resolved after September 15 are paid directly to the claimant by the tax department, rather than through notification of the municipality in which the homestead is located.

In 2010, the Legislature passed Act 160, which retroactively changed the calculation of property tax adjustments for claims filed beginning January 1, 2010 and thereafter. Homeowners with interest and dividend income above $10,000 have the excess amount over that threshold counted twice in calculating the adjustment. In addition, the adjustment is limited to only the first $400,000 of equalized value, and the additional adjustment of $10 per acre, up to five acres, which was added by statute in 2003, was eliminated. Act 160 made additional changes to the definition of "household income" for claims filed beginning in 2011, which eliminated all but the following exclusions: total income to certain business expenses of reservists, one-half of self-employment tax paid, alimony paid, and deductions for tuition and fees.

In 2011, the Legislature passed Act 45, which allowed the amounts paid by self-employed people for health insurance premiums to be excluded from the calculation of household income for property tax adjustment claims filed beginning in 2012. In 2012, the Legislature passed Act 143, which excludes health savings account deductions from the calculation of household income for property tax adjustment claims filed beginning in 2013.

The Statewide property tax is billed and collected at the local level. A netting process is followed, with the State paying any net amounts due the districts in three payments while the towns pay net amounts due the State in two equal payments. Municipalities retain a percentage of the total education tax collected upon timely remittance of net payments. Beginning in fiscal year 2009, the percentage was increased from 0.125% to 0.225%.

In 2014, the Legislature passed Act 166, which required districts to offer pre-K education for at least ten hours per week. Before that, offering pre-K was optional for each district. In 2015, the Legislature passed more significant education reform. Act 46 of 2015 was passed, which provides incentives to small school districts to merge, thereby maximizing operational efficiencies. This Act offers various incentives to districts that choose to merge if those mergers meet the requirements and goals of the Act including reductions in tax rates and continuation of small school grants. The Act also contains several disincentives such as the removal of a provision that allowed districts under-count the change in pupil numbers from the previous year when the district has experienced declining enrollment. Additionally, the Act directed the State Board of Education to facilitate the merger for any district under 900 students that failed to merge by July 1, 2019. Finally, the Act simplifies the tax rate calculation process somewhat by moving from a base amount tied to the annual change in the Consumer Price Index and a variable base tax rate to a variable "yield" number and a base tax rate permanently locked at $1.00 per $100 of equalized property value.

In fiscal year 2020, the Statewide property tax accounted for $1,144.0 million or 67.5% of the net revenues available to the Education Fund.

<u>Sales and Use Tax</u>: The State has imposed a general Sales and Use Tax on products sold within the State since 1969 (the initial Sales and Use tax was 3.0%). Through the years, as described below, the rate has been adjusted periodically, the taxable base has been expanded to include selected services and certain software and e-commerce sales transactions with an appropriate nexus to the State, and the General Assembly has allowed certain municipalities to assess and collect a local option Sales and Use Tax. Under current law, the State imposes a Statewide Sales and Use Tax of 6% and a telecommunications sales tax of 6% (both of these current rates were first effective October 1, 2003). Major exemptions to the State's general Sales and Use Tax include sales of food, medicine, clothing, manufacturing and agricultural supplies and equipment, and fuel and electricity for domestic, manufacturing or agricultural use. Pursuant to Act 68 of 2003, commencing July 1, 2004, the statutory structure of these taxes changed from: (1) 100% of the annual receipts of the general Sales and Use Tax to the General Fund, and (2) 100% of the gross receipts of the telecommunications tax to the Education Fund, to a statutory transfer of one-third of total gross Sales and Use Tax receipts (inclusive of the telecommunications tax) from the General Fund to the Education Fund. Effective January 1, 2007, the State also became a participant in the multi-state Streamlined Sales Tax Agreement ("SSTA"). The SSTA is a multi-state effort to simplify and streamline state Sales and Use Taxes in order to facilitate the collection of such taxes from out-of-state vendors such as mail order and internet retailers. Effective July 1, 2013, the allocation of gross Sales and Use Tax receipts to the Education Fund and General Fund changed from 33% and 67%, respectively, to 35% and 65%, respectively. During the 2015 session, the Vermont General Assembly passed legislation that made the 6% Sales and Use Tax applicable on soft drinks

sold in the State effective July 1, 2015. During fiscal years 2016 and 2017, the Vermont Department of Taxes took several actions designed to sustain the State's taxable base, which have resulted in tax receipts from certain e-commerce-based transactions. In June 2018, the U.S. Supreme Court in *South Dakota v. Wayfair* confirmed the ability of a state or a locality, such as Vermont, to impose a sales tax or use tax collection responsibility upon a remote seller. This decision allowed the Vermont Department of Taxes to continue to seek out e-commerce companies selling goods to Vermont residents and require such companies to collect and remit sales tax to the State. Pursuant to Act 11 of 2018, commencing July 1, 2018, the allocation of gross Sales and Use Tax receipts between the General Fund and Education Fund was terminated, and 100% of the State Sales and Use Tax receipts were dedicated to the Education Fund. In fiscal year 2020, State Sales and Use Tax receipts deposited in the Education Fund was $432.5 million or 25.7% of the net revenues available to the Education Fund.

Meals and Rooms Tax. Pursuant to Act 11 of 2018, commencing with fiscal year 2019, 25% of the Meals and Rooms Tax is deposited directly in the Education Fund. In fiscal year 2020, Meals and Rooms Tax receipts deposited in the Education Fund were $40.9 million or 2.4% of the net revenues available to the Education Fund. For more information regarding the Meals and Rooms Tax, see "STATE FUNDS AND REVENUES – State General Fund Revenues" above.

Purchase and Use Tax. Beginning on July 1, 1998, 16.7% of total collections in the motor vehicle Purchase and Use Tax were deposited in the Education Fund. Pursuant to Act 68 of 2003, commencing July 1, 2004, one-third of gross receipts collected under this tax is deposited directly into the Education Fund. For more information regarding the Purchase and Use Tax, see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues" above. In fiscal year 2020, the statutory transfer of Purchase and Use Tax receipts to the Education Fund was $35.1 million or 2.1% of the net revenues available to the Education Fund.

Lottery. Pursuant to Act 60, 100% of the revenues from the State lotteries under Chapter 14 of Title 31 are transferred to the Education Fund. In fiscal year 2020, Lottery revenues deposited in the Education Fund were $26.8 million or 1.6% of the net revenues available to the Education Fund.

Medicaid Transfer and Other Taxes-Fees. In past years the State has allocated 30% of Medicaid reimbursement revenues for qualified medical services provided to students in grades K-12 to the Education Fund consistent with Title 16 V.S.A. Section 2959a and recent changes in federal law governing those reimbursements. In fiscal year 2020, the Medicaid transfer was $10.6 million or 0.6% of the net revenues available to the Education Fund. The State also levies certain other taxes, including a solar energy property tax and a wind property tax, and minor fees that, together with related investment income, are credited to the Education Fund. Net revenues in this category for fiscal year 2020 were $3.1 million or 0.2% of net revenues available to the Education Fund.

Federal Receipts

In fiscal year 2020, the State's special revenue funds received approximately $2.273 billion in total from the federal government on a GAAP basis, an increase of $266.9 million or 13.3% above fiscal year 2019. These revenues represent reimbursement to the State for expenditures for various health, welfare, educational and highway programs, and distributions of various restricted or categorical grants-in-aid. Fiscal year 2020 federal grant receipts were $2.273 billion, including $1.1 million received from ARRA, and $154.0 million from the CRF as part of the CARES Act (see "COVID-19 GLOBAL PANDEMIC" herein). Vermont received $1.25 billion from the CRF in fiscal year 2020, however, for purposes of GAAP basis financial reporting the funds are considered unearned revenue when received and are earned as eligible expenditures are incurred. Accordingly, in fiscal year 2020, on a GAAP basis, $154.0 million of CRF funds were earned and recorded as federal revenue in Vermont's Annual Report, and the remaining $1.096 billion was reported as unearned revenue as of June 30, 2020.

Federal grants normally are restricted as to use depending on the particular program being funded and normally require matching resources by the State. The largest categories of federal grants receipts in fiscal year 2020 were made in the areas of Human Services, $1.532 billion; Transportation, $289 million; General Government, $156.4 million; Education, $143 million; Protection to Persons and Property, $78.5 million; and Natural Resources, $41.1 million.

Tobacco Litigation Settlement Fund

Under the Master Settlement Agreement (the "MSA") with tobacco companies, Vermont is entitled to annual payments in perpetuity. The amount of payment due is calculated annually, applying adjustments specified in the MSA, based on factors including that year's volume of tobacco sales and inflation. Pursuant to the MSA, in addition to regular MSA annual payments, beginning in fiscal year 2008, Vermont was also entitled to receive approximately $10-14 million in net Strategic Contribution Payments (as defined in the MSA) per year for ten years. The final Strategic Contribution Payment was received in April 2017. Both the regular MSA payments and the Strategic Contribution Payments are subject to withholding adjustments based on inflation, the effect of any decreases in the sale of tobacco products to the base year among participating manufacturers and certain other adjustments. Various aspects of the MSA remain in litigation or arbitration in venues across the country.

The table below lists Vermont's base payment and Strategic Contribution Payment as set forth in the MSA, and the actual receipts of settlement funds (in millions) for each of the past 13 years:

	MSA[1]		Actual		
Fiscal Year	Base Payment	Strategic Payment	Base Payment	Strategic Payment	Total[2, 3]
2008	$29.37	$15.65	$25.48	$14.42	$39.91
2009	29.37	15.65	28.10	14.78	42.88
2010	29.37	15.65	23.39	12.83	36.22
2011	29.37	15.65	22.17	11.69	33.86
2012	29.37	15.65	22.61	11.91	34.52
2013	29.37	15.65	22.59	11.92	34.51
2014	29.37	15.65	*	*	34.52
2015	29.37	15.65	21.88	11.69	33.57
2016	29.37	15.65	23.00	12.07	35.08
2017	29.37	15.65	22.78	11.94	34.72
2018	29.37	**	17.55	**	58.95
2019	29.37	**	23.65	**	23.65
2020	29.37	**	25.50	**	25.50

[1] Base payment amount and Strategic Contribution Payments as established in the MSA at time of initial settlement; amounts subject to annual adjustments.
[2] Does not take into account Tobacco Litigation Settlement Fund Account performance due to interest income or expense.
[3] Total for 2018 includes $41,472,086.07 in one-time settlement of disputed diligent enforcement years 2004-2017.
* The breakdown between the base payment and the strategic payment amounts for fiscal year 2014 are not available.
** Strategic payments were issued on a time-limited basis to Vermont and certain other states and expired after 2017.

In fiscal year 2000, the Vermont Legislature established a special Tobacco Litigation Settlement Fund to be administered by the State Treasurer. Payments under the MSA are deposited into the Tobacco Litigation Settlement Fund. The State of Vermont targets these revenues specifically for tobacco enforcement, prevention and education programs, substance abuse and youth protection programs in AHS. These funds are also used to support Medicaid and other health-related spending but are not used as a supplemental revenue source to fund other core governmental operations. Any unexpended receipts at the end of each fiscal year are earmarked for the separately established Tobacco Investment Trust Fund, a trust established to eventually endow the education and prevention programs. The balance in the Tobacco Investment Trust Fund at the end of fiscal year 2020 was $17.2 million.

RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS

The following information presented under the above heading is presented on a budgetary (or cash) basis. Reference is also made to the operating statements appearing on pages 68-70 of this Official Statement (under the heading "Financial Summaries") for a tabular presentation of the operating results described below.

Fiscal Year 2017

The State ended fiscal year 2017 with General Fund revenues of $1,456.92 million contributing to an operating gain of $34.29 million, which was distributed as: $5.77 million net transfers to other funds; $28.52 million in reserves, including up to $10.38 million deposited in the General Fund Balance Reserve for use in 2018 to offset estimated one-time forecasted corporate tax refunds. Year-over-year consensus (current law) revenues increased by $44.53 million, or 3.15% from fiscal year 2016 revenues of $1,412.39 million. The fiscal year 2017 General Fund consensus revenue forecast, which was the basis for the fiscal year 2017 budget, as passed, was approved by the Emergency Board in January 2016. This estimate was subsequently revised upward by the Emergency Board in July 2016 by $7.0 million, and downward in January 2017 by $24.6 million, largely attributable to higher corporate tax refunding activity. Compared to target, year-end revenues were 1.05% above the January 2017 revised revenue forecast for fiscal year 2017 of $1,455.91 million. The revenue performance in June was driven by $3.83 million above target revenues in the Corporate Income Tax and a slight increase in the Property Transfer Tax of $0.69 million. These gains were partially offset by an underperformance across all other revenue types. A full contribution was made to the Budget Stabilization Reserve resulting in a balance of $74.10 million.

The State Transportation Fund ended fiscal year 2017 with consensus (current law) revenues of $271.19 million and an operating surplus of $1.81 million. Year-over-year consensus (current law) revenues increased by 2.49% or $6.58 million from fiscal year 2016 consensus (current law) revenues of $264.61 million. Transportation Fund receipts for fiscal year 2017 were below the consensus revenue target of $274.47 million by 1.19%, primarily due to the combination of the following: Gasoline Tax receipts (0.02% above target); Diesel Tax receipts (5.77% below target); Motor Vehicle Purchase & Use (0.06% below target); Motor Vehicle Fees (3.12% below target); and Other Fees (3.21% above target). The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $13.26 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2017 with non-property tax revenues of $203.95 million and a General Fund transfer of $305.90 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in an $8.29 million operating deficit (after transfers to/from other funds). The Education Fund Budget Stabilization Reserve ended fiscal year 2017 fully funded at the statutory maximum of 5% of net prior year appropriations ($33.46 million). In addition to the $33.46 million Education Fund Budget Stabilization Reserve, $26.49 million additional surplus remained unallocated and unreserved as of June 30, 2017.

Fiscal Year 2018

The State ended fiscal year 2018 with General Fund revenues of $1,558.85 million contributing to an operating gain of $76.90 million. The operating gain was distributed as $50.71 million in net transfers to other funds, as well as $26.19 million in net contributions to reserves. Contributions to reserve accounts most notably included bringing the Budget Stabilization Reserve up to its statutory level of $77.0 million, making a $12.0 million addition to the Human Services Caseload Reserve, providing $10.0 million for contingency funds to be used in fiscal year 2019 for personal income and corporate tax refunds should they exceed forecasted expectations, and reserving an additional $0.5 million for General Fund uses in fiscal year 2019. Year-over-year consensus (current law) revenues increased by $101.92 million, or 7.00% from fiscal year 2017 revenues of $1,456.92 million. The fiscal year 2018 General Fund consensus revenue forecast, which was the basis for the fiscal year 2018 budget, as passed, was approved by the Emergency Board in January 2017. This estimate was subsequently revised three times by the Emergency Board: first, in July 2017 it was revised downward by $24.7 million resulting in a General Fund rescission approved by the Emergency Board at the same meeting; then in January 2018 it was revised upward by 8.1 million; and finally in May 2018, the Emergency Board adopted a revenue increase of $44.2 million as compared to January 2018. Compared to target, year-end revenues were 1.37% above the May 2018 revised revenue forecast for fiscal year 2018 of $1,537.8 million. The predominant drivers of the operating gain for fiscal year 2018 were Personal Income and Corporate Income tax receipts exceeding their targets by $38.27 million and $16.96 million, respectively.

The State Transportation Fund ended fiscal year 2018 with consensus (current law) revenues of $278.96 million and an operating surplus of $2.50 million. Year-over-year consensus (current law) revenues increased by 2.87% or $7.77 million from fiscal year 2017 consensus (current law) revenues of $271.19 million. Transportation Fund receipts for fiscal year 2018 were slightly above the consensus revenue target of $277.60 million by 0.49%, primarily due to the combination of the following: Gasoline Tax receipts (0.11% above target); Diesel Tax receipts (2.51% above target); Motor Vehicle Purchase & Use (1.89% above target); Motor Vehicle Fees (2.28% below target); and Other Fees (6.83% above target). The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $13.47 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2018 with non-property tax revenues of $215.72 million and a General Fund transfer of $348.17 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $4.96 million operating surplus (after transfers to/from other funds). The Education Fund Budget Stabilization Reserve ended fiscal year 2018 fully funded at the statutory maximum of 5% of net prior year appropriations ($34.64 million). In addition to the $34.64 million Education Fund Budget Stabilization Reserve, $21.22 million additional surplus remained unallocated and unreserved as of June 30, 2018.

Fiscal Year 2019

The State ended fiscal year 2019 with General Fund revenues of $1,339.50 million contributing to an operating gain of $96.92 million. From the operating gain were transfers in from other funds totaling $5.90 million, as well as $102.85 million in net contributions to reserves. Contributions to reserve accounts most notably included bringing the Budget Stabilization Reserve up to its statutory level of $78.18 million, making a $100.09 million addition to the Human Services Caseload Reserve. Year-over-year consensus (current law) revenues decreased by $219.35 million, or 14.07% from fiscal year 2018 revenues of $1,558.85 million which largely reflects the restructuring of the consumption tax fund allocations under Act 11 of the 2018 Vermont General Assembly discussed above. The fiscal year 2019 General Fund consensus revenue forecast, which was the basis for the fiscal year 2019 budget, as passed, was approved by the Emergency Board in January 2018. This estimate was subsequently revised two times by the Emergency Board: first, in July 2018 it was revised upward by $13.6 million (or up by $32.9 million per an Administration-Legislative Joint Fiscal Office consensus on a post-Act 11 re-structured budgetary basis); and then in January 2019 it was revised upward by another $11.2 million as compared to the July 2018 consensus forecast. Compared to target, year-end revenues were 4.55% above the January 2019 revised revenue forecast for fiscal year 2019 of $1,282.0 million in Act 11-adjusted revenues. The predominant drivers of the operating gain for fiscal year 2019 were Personal Income and Corporate Income tax receipts exceeding their targets by $50.53 million and $11.65 million, respectively.

The State Transportation Fund ended fiscal year 2019 with consensus (current law) revenues of $280.67 million and an operating surplus of $2.33 million. Year-over-year consensus (current law) revenues increased by 0.6% or $1.71 million from fiscal year 2018 consensus (current law) revenues of $278.96 million. Transportation Fund receipts for fiscal year 2019 were slightly below the consensus revenue target of $284.07 million by 1.20%, primarily due to the combination of the following: Gasoline Tax receipts (0.49% below target); Diesel Tax receipts (2.85% below target); Motor Vehicle Purchase & Use (2.01% below target); Motor Vehicle Fees (1.03% below target); and Other Fees (0.21% below target). The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $13.83 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2019 with non-property tax revenues of $539.40 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $3.23 million operating surplus before transfers to/from other funds and a $1.82 million operation deficit after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2019 fully funded at the statutorily required amount of 5% of net prior year appropriations ($37.03 million). In addition to the $37.03 million Education Fund Budget Stabilization Reserve, $19.39 million additional surplus remained unallocated and unreserved as of June 30, 2019.

Fiscal Year 2020

The State ended fiscal year 2020 with General Fund revenues of $1,457.44 million contributing to an operating gain of $13.47 million. From the operating gain were transfers to other funds totaling $9.65 million, as well as $3.82 million in net contributions to reserves. Contributions to reserve accounts most notably included bringing the Budget Stabilization Reserve up to its statutory level of $79.82 million and making a $98.24 million addition to the Human Services Caseload Reserve. Year-over-year (current law) revenues increased by $117.94 million, or 8.81% from fiscal year 2019 revenues of $1,339.50 million. The fiscal year 2020 General Fund consensus revenue forecast, which was the basis for the fiscal year 2020 budget, as passed, was approved by the Emergency Board in January 2019. This estimate was subsequently revised two times by the Emergency Board: first, in July 2019 it was revised upward by $25.3 million, and then in January 2020 it was revised upward by another $18.4 million. As described herein, the COVID-19 pandemic began to have a significant impact on Vermont's economy in February 2020, with the most pronounced impact in the final quarter of the fiscal year. As a result, year-end General Fund revenues were 8.6% below the January 2020 Consensus Forecast. The magnitude of these deviations can largely be attributable to the onset of the COVID-19 pandemic. See "COVID-19 GLOBAL PANDEMIC" herein.

The State Transportation Fund ended fiscal year 2020 with actual (current law) revenues of $264.11 million and an operating surplus of $25.42 million. Year-over-year actual (current law) revenues decreased by 5.9% or $16.56 million from fiscal year 2019 actual (current law) revenues of $280.67 million. Transportation Fund receipts for fiscal year 2020 were below the January 2020 consensus revenue target of $284.50 million by $20.39 million (or 7.17%), primarily due to the combination of the following: Gasoline Tax receipts (8.65% below target); Diesel Tax receipts (5.73% below target); Motor Vehicle Purchase & Use (8.42% below target); Motor Vehicle Fees (3.64% below target); and Other Fees (12.17% below target). The magnitude of these deviations from target is largely attributable to the onset of the COVID-19 pandemic. See "COVID-19 GLOBAL PANDEMIC" herein. The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $14.09 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2020 with non-property tax revenues of $550.98 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $14.09 million operating deficit before transfers to/from other funds and a $19.39 million operation deficit after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2020 funded at 90% of the statutorily required amount of 5% of net prior year appropriations ($32.98 million).

Fiscal Year 2021 Forecast

The State, by statute, establishes a consensus revenue forecast each July and the following January unless the Emergency Board members elect to change this schedule or request to have more frequent revenue forecasts due to fiscal management needs. See "REVENUE ESTIMATES" herein.

January 2020 Consensus Forecast. The January 2020 Consensus Forecast, adopted on January 16, 2020, included (i) an "Available to the General Fund" consensus revenue forecast of $1,596.3 million for fiscal year 2021, which amount includes a forecasted $275.5 million in health care taxes, fees, and assessments "Available to the General Fund," (ii) an "Available to the Transportation Fund" consensus revenue forecast of $287.9 million for fiscal year 2021, and (iii) an "Available to the Education Fund" consensus revenue forecast of $574.3 million in revenues for fiscal year 2021.[30] The January 2020 Consensus Forecast was a current law forecast for all fiscal years, and was completed just prior to the onset of the COVID-19 pandemic.

As discussed under the heading "COVID-19 GLOBAL PANDEMIC" herein, during the Spring 2020, the State experienced harsh, negative impacts of the COVID-19 pandemic, and instituted a number of public health and safety measures and economic support measures to support State business, all of which adversely affected State revenues. Because the State filing and payment dates for both the Personal Income Tax and the Corporate Income Tax were delayed to July 15th, the State, through mutual agreement of the Governor and Legislative leadership, decided to delay the semi-annual consensus revenue forecast update from July to August, to enable the mid-year 2020 consensus forecast update to have the benefit of the initial results of the actual July 15th tax return filings and payments.

August 2020 Consensus Forecast. The mid-year August 2020 Consensus Forecast was completed and approved by the Emergency Board on August 12, 2020, and included an unprecedented $182.4 million consensus forecast downgrade in General Fund expectations for fiscal year 2021 (or an 11.4% decline in revenue expectations for the General Fund relative to the January 2020 Consensus Forecast). For the Transportation Fund, the August 2020 Consensus Forecast included a significant consensus forecast downgrade in Transportation Fund revenue expectations of $29.3 million versus January 2020 Consensus Forecast (for a 10.2% reduction in the consensus revenue forecast for fiscal year 2021 versus January 2020 Consensus Forecast expectations).[31] The August 2020 Consensus Forecast also included a $62.7 million consensus revenue forecast downgrade for fiscal year 2021 in Education Fund revenues (or a 10.9% consensus revenue forecast downgrade relative to the January 2020 Consensus Forecast).

The August 2020 Consensus Forecast was unique, as it had to be developed with only three months of initial data regarding the pandemic's impact on the economy and State revenues. On the economic side, there was a steep and fast decline in State and national labor markets, including particularly harsh declines in important, virus-sensitive sectors in the State economy, such as the Leisure and Hospitality sector, the entertainment sector, and the

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[30] This revenue aggregate includes receipts from the Sales and Use Tax, the fund's statutory part of Meals and Rooms Tax and the Motor Vehicle Purchase and Use Tax revenues, transfers from the State Lottery, and proceeds from investment income. This revenue aggregate excludes Education Property Taxes (which are collected at the local level with net payments to or from the State), and revenues from other revenue sources such as the Uniform Capacity Tax, Medicaid Reimbursement, and other minor sources of revenue to the Education Fund overall.

[31] The August 2020 consensus revenue forecast also included a substantial reduction in forecasted Gas TIB receipts (a $3.0 million or 20.1% downgrade for fiscal year 2021 and a $2.8 million or 18.5% downgrade for fiscal year 2022 relative to January 2020 consensus expectations), and in forecasted Diesel TIB receipts for fiscal years 2021 and 2022 (a $0.2 million or 8.8% downgrade for fiscal year 2021 and a $0.1 million or 4.4% downgrade for fiscal year 2022 relative to January 2020 consensus expectations).

"bricks and mortar" portion of the Retail sector. By mid-August, much more was known about the very substantial negative impacts of the pandemic, but there was very little information surrounding the likely impact of the first round of federal fiscal pandemic assistance-relief provided in the CARES Act, which funding support largely had yet to be deployed into the Vermont economy. In such an unprecedented situation, it was far easier to focus on the better understood "negative factors" influencing the State economy and State revenues at that time. Moreover, actual State revenue receipts during the March through June 2020 period were under-performing significantly, reflecting the combination of sharp activity declines in the State economy and the delay in the Personal Income Tax and Corporate Income Tax filing and payment "due dates" to mid-July.

Over the July 2020 to December 2020 period, State revenues across all major operating funds performed significantly better than the significantly diminished revenue expectations that were laid out in the August 2020 Consensus Forecast. Across all three State operating funds overall, cumulative revenue receipts through the first half of fiscal year 2021 combined to off-set nearly 60% of the three-fund $274.4 million consensus revenue forecast downgrade for fiscal year 2021 set forth in the August 2020 Consensus Forecast. In the General Fund, revenues tracked a total of $110.3 million above consensus expectations, representing an offset of 60.5% of the $182.4 million consensus revenue forecast downgrade as set forth in the August 2020 Consensus Forecast. In the Transportation Fund, State revenue collections over the July 2020 through December 2020 period tracked a total of $11.6 million above consensus expectations, corresponding to an offset of 39.5% of the $29.3 million consensus revenue forecast downgrade in the August 2020 Consensus Forecast. In the portion of the Education Fund subject to the consensus revenue forecasting process, cumulative receipts ran a total of $41.9 million above consensus expectations through December 2020, offsetting a total of 66.7% of the $62.7 million consensus revenue forecast downgrade set forth in the August 2020 Consensus Forecast. Only revenue results in the Transportation Fund TIB fuel tax accounts under-performed during the first half of fiscal year 2021—at $0.6 million below consensus expectations overall. Lower than expected TIB receipts appear to have been a reflection of the lower-than-expected level of oil prices[32] as diminished global oil demand during the pandemic negatively impacted oil prices.

The better-than-expected receipts activity performances during the first half of fiscal year 2021 reflected a number of factors that developed over the course of calendar year 2020. Revenue collections in the General Fund were driven by positive receipts activity in the Personal Income Tax and the Corporate Income Tax, which appear to have reflected the interplay of State estimating rules, a relatively strong economy during the 2019 tax year for Personal Income and Corporate Income taxpayers who make estimated payments, and the unprecedented income support payments that were included in the CARES Act legislation. Positive first half receipts in the Estate Tax reflected unanticipated gains in asset values tied to the low interest rate environment supported by the Federal Reserve's aggressive monetary policy interventions during the pandemic to preserve liquidity in the business sector and keep interest rates at very low levels. A surge in Property Transfer Tax payments over the period appeared to be tied to public health concerns about the worsening pandemic, with the State generally viewed as an attractive pandemic refuge with its lower-than-average COVID-19 infection rates.

Above-target revenue collections in the Education Fund were driven by better than expected sales activity, particularly for e-commerce sales and for items such as larger ticket household goods. Another big assist to the above-target Education Fund receipts activity during the first half of fiscal year 2021 (through December 2020) came from significantly higher than expected vehicle sales. This stronger than expected consumption tax receipts activity during the first half of fiscal year 2021 are believed to be a reflection of the unprecedented amount of direct and indirect federal fiscal household income support through the federal CARES Act legislation. This historic amount of federal fiscal assistance,[33] has largely prevented a much more serious economic decline across the State. It also allowed the State to maintain State revenue flows to a much higher degree than would have otherwise been the case. This is particularly true with respect to payroll tax receipts and taxable consumption expenditures, both of which have been consistently higher than would have otherwise occurred without these federal income support programs, which provided significant financial assistance to many Vermont households.

January 2021 Consensus Forecast. On January 19, 2021, the Emergency Board met and approved updated consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal years

[32] Including a brief period of time where gasoline prices fell below the statutory floor in the Gasoline TIB tax receipts formula over the July through December 2020 period, which adversely impacted Gasoline TIB receipts during that period. That below the statutory floor price level for gasoline prices in the Gasoline TIB receipts formula has since been corrected and gasoline TIB receipts are no longer being adversely impacted by that error as of February 2021.

[33] It is possible that the federal CARES Act legislation and subsequent rounds of federal fiscal support may ultimately exceed the amount of all of the federal fiscal investment-assistance into the U.S. economy during the period involving World War II as a percentage of U.S. GDP.

2021 through 2022 (the "January 2021 Consensus Forecast"). The January 2021 Consensus Forecast includes further revised General Fund consensus revenue forecast of $1,573.7 million (including an estimated $270.4 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2021. The January 2021 Consensus Forecast for the General Fund represented a $159.8 million (or 11.3%) increase in consensus revenue expectations relative to the August 2020 Consensus Forecast for fiscal year 2021. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast upgrade of $16.4 million (or 6.3%) to $275.0 million for fiscal year 2021. The Emergency Board also approved a revised consensus revenue forecast upgrade for receipts in the Education Fund of $78.1 million (or 15.3%) to $589.7 million in fiscal year 2021. In fact, relative to the January 2020 Consensus Forecast, total State revenues in all funds are now expected to be only $20 million below pre-pandemic levels for fiscal year 2021 as set forth in the January 2020 Consensus Forecast.

The consensus revenue forecast upgrades fully reflect: (1) the recent epidemiological path of the pandemic in Vermont relative to the U.S. as a whole, and (2) the federal fiscal and monetary policy responses to it. In addition, the January 2021 Consensus Forecast benefitted from six months of somewhat clearer data relative to the August 2020 Consensus Forecast. As such, the January 2021 Consensus Forecast included an improved understanding of the complex, but still evolving, interplay of the two above-noted factors and their linkages through the State economy to State revenues.

Although there was little historical basis for the revenue projections included in the January 2021 Consensus Forecast, the over $5.0 billion in federal direct and indirect relief-assistance payments received to date by Vermont (largely financed by federal deficit spending), and the historically low level of short-term and long-term interest rates, have combined to offset—at least in aggregate—nearly all of the large detrimental effects on the economy tied to the pandemic and the necessary and consequential public health actions taken to address it. As a result, given the lack of historical precedent for the January 2021 Consensus Forecast, the achievability of the revenue targets in the updated consensus revenue forecast remains highly uncertain. Many aspects of the January 2021 Consensus Forecast are therefore subject to revision as further developments associated with the two principal forecast factors described above continue to evolve.

The revised January 2021 Consensus Forecast was based on the latest consensus national and State economic outlook, a number of technical re-specifications of the various forecasting models for these revenue sources, a revised consensus forecast of the revenue impact of a number of the recent federal and State tax changes (dating back to the passage of the federal TCJA and the State's response to that legislation), another revision of the Sales and Use Tax estimate following the faster than expected expansion of the taxable base of e-commerce sales, and the effects of the COVID-19 pandemic on real estate demand (which to date have been positive for the State as at least a temporary pandemic refuge) and any observed changes in household expenditure preferences.

Fiscal Year 2021 – Consensus Revenue Forecast
($ in millions)

	January 2020 Consensus Forecast		August 2020 Consensus Forecast	% Difference (vs January 2020)		January 2021 Consensus Forecast	% Difference (vs August 2020)
General Fund	$1,596.3		$1,413.9	(11.4%)		$1,573.7	11.3%
Transportation Fund	287.9		258.6	(10.2)		275.0	6.3
Education Fund	574.3		511.6	(10.9)		589.7	15.3
Total	$2,458.5		$2,184.1	(11.2)		$2,438.4	10.5

Fiscal Year 2021 General, Transportation and Education Funds to Date

The following tables present revenue results for the components of each major fund, as compared to the updated fiscal year 2021 monthly cash flow targets through February of fiscal year 2021. Results are presented versus the consensus cash flow targets that correspond to the January 2021 Consensus Forecast. The month of February is the second month of the second half of the State's 2021 fiscal year and follows the usual semi-annual truing-up of actual receipts totals to the month-to-month cash flow targets for the first half of the 2021 fiscal year (corresponding to the July 2020 to December 2020 period).

Fiscal Year 2021 General Fund Results to Date

	February 2021			Fiscal Year 2021 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Personal Income Tax	$23.2	$54.6	135.6	$772.3	$814.4	5.5
Corporate Income Tax	2.3	3.7	61.5	46.3	51.8	11.9
Meals and Rooms Tax[2]	6.7	8.2	22.8	62.4	64.5	3.3
Insurance Premium Tax	18.4	15.1	(18.2)	37.8	34.3	(9.1)
Inheritance-Estate Tax	0.4	(0.3)	(194.5)	23.4	20.7	(11.4)
Property Transfer	0.6	1.2	83.8	14.1	15.3	8.2
Health Care Revenues	19.5	19.4	(0.6)	194.5	196.2	0.9
Other Revenues	6.1	6.9	12.4	51.5	51.5	0.1
Total	$77.2	$108.7	40.7	$1,202.2	$1,248.7	3.9

1 Reflects Official Revenue Estimates as of January 19, 2021.
2 Per Act 11 of 2018, represents 75% of aggregate Meals and Rooms Tax collections. The remaining 25% of collections are allocated to the Education Fund.
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions.

Fiscal Year 2021 Transportation Fund Results to Date

	February 2021			Fiscal Year 2021 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Gasoline Tax[2]	$4.8	$2.9	(38.9)	$45.5	$43.1	(5.3)
Diesel Tax[2]	1.2	0.8	(31.2)	11.8	11.4	(3.4)
Purchase and Use Tax	4.4	4.5	1.7	51.7	51.0	(1.4)
Motor Vehicle Fees	5.6	5.5	(1.7)	53.1	53.1	0.0
Other Fee Revenues	1.4	1.0	(31.5)	13.5	12.7	(5.9)
Total	$17.5	$14.8	(15.5)	$175.6	$171.3	(2.5)

1 Reflects Official Revenue Estimates as of January 19, 2021.
2 Excludes Transportation Infrastructure Bond or (TIB) revenues.
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions.

Fiscal Year 2021 Education Fund Results to Date[1,2]

	February 2021			Fiscal Year 2021 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Sales and Use Tax[3]	$36.0	$37.1	3.1	$340.2	$340.4	0.1
Meals and Rooms Tax[3]	2.4	3.0	22.6	22.6	23.4	3.3
Lottery	2.4	4.8	99.2	17.3	19.5	12.9
Motor Vehicle Purchase & Use Tax	2.2	2.3	1.8	25.9	25.5	(1.4)
Other Revenues[4]	0.0	0.0	NM	0.1	0.1	(47.6)
Total	$43.1	$47.2	9.6	$406.1	$408.8	0.7

1 Reflects Official Revenue Estimates as of January 19, 2021.
2 Excluding property taxes, which are collected at the local level with net payments to or from the State.
3 Per Act 11 of 2018, 100% of Sales and Use Tax receipts and 25% of the Meals and Rooms Tax are allocated to the Education Fund as of July 1, 2018.
4 In prior and current fiscal years, the General Fund has advanced funds for Education Fund expenditures prior to significant revenues being received by the Education Fund. During this time, the Education Fund incurs interest expense payable to the General Fund, which is at times budgeted as negative revenue.
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions. NM means Not Meaningful.

Overall, State revenue receipts during the month of February 2021 continued to track ahead of consensus expectations in the General Fund (at $31.4 million above consensus monthly expectations) and in the Education Fund (at $4.1 million above consensus monthly expectations), although they did so for different reasons. In contrast, monthly receipts in the Transportation Fund underperformed during the month of February (at $2.7 million or 15.5% below the consensus monthly cash flow target).

The higher-than-expected performance in the General Fund during the month of February was largely the result of significantly lower Personal Income Tax refunds than expected, at $29.0 million lower than the sub-component target for the month of February. This single factor accounted for 92.2% of the $31.4 million positive performance for the month. The slower than expected pace to Personal Income Tax refunds was, at least in part, a reflection of the "slow start" to the tax filing season.[34] It is likely that the decline in the number of returns filed to-date and its impact on slowing the normal seasonal pace of cash out refunds by the State will be only a temporary factor in the overall scheme of revenue developments during the rest of the second half of fiscal year 2021. It is reasonable to expect some catch-up to begin prior to the start of the year-end filing season (now delayed until May 17th), with most of the possible "catch-up" more likely to come during the month of June.

In the Education Fund, the $4.1 million positive performance reflected the continuation of generally positive consumption activity in fiscal year 2021. In addition, February Education Fund receipts also look to have been the beneficiary of an unusually large amount of monthly Lottery Transfer receipts ($4.8 million). That large transfer of Lottery profits appears to have been tied to the recent large Powerball jackpot that boosted sales in the State. In contrast to the largely temporary nature of the February bounce in the General Fund, these factors boosting Education Fund receipts look to be more fundamental and lasting, especially considering the passage of the federal ARP legislation in March 2021.

In contrast to the positive nature of February General Fund and Education Fund receipts, revenues in the Transportation Fund during February underperformed by $2.7 million or 15.5%, at least in part due to the fact that February is a short month (with only 28 days) and the last day of the month fell on a weekend. Those two factors primarily curtailed revenue receipts in the two fuel taxes (at $1.9 million below consensus monthly expectations in the Gas Tax and $0.4 million below consensus monthly expectations in the Diesel Tax), representing 82.7% of the underperformance in overall Transportation Fund revenues for the month of February. Looking more closely at receipts to date during the month of March, it is apparent that there was in fact "spill-over revenues" between the months of February and March in the two fuel taxes of roughly the amounts that each trailed their respective February consensus cash flow targets. As such, it is likely that the underperformance in these receipts will be made up during the month of March.[35] The other drag on February Transportation Fund receipts was in the Other Fees category (at $0.4 million below consensus expectations for the month of February), where the biggest negative factor appeared to be the Judicial Traffic Ticket revenue sub-category (with cumulative receipts for the July through February period at $1.0 million below receipts for the same period last fiscal year), even though that is historically a notoriously volatile part of the Other Fees revenue category.

Fiscal Year 2022 – Forecast

August 2020 Consensus Forecast. The mid-year August 2020 Consensus Forecast included a $103.9 million consensus revenue forecast downgrade for General Fund revenues for fiscal year 2022 (corresponding to a 6.4% consensus revenue forecast downgrade) relative to the pre-pandemic January 2020 Consensus Forecast. For the Transportation Fund, the August 2020 Consensus Forecast included a $15.5 million consensus revenue forecast downgrade for Transportation Fund revenues in fiscal year 2022 (corresponding to a 5.4% decline in revenue expectations for the Transportation Fund in fiscal year 2022) relative to the January 2020 Consensus Forecast.[36] The August 2020 Consensus Forecast update also included a $38.7 million (or 6.6%) forecasted decline in Education Fund revenues for fiscal year 2022, in comparison to the January 2020 Consensus Forecast. As noted above, the August 2020 Consensus Forecast was developed with only three months of initial data regarding COVID-19 pandemic impacts on the economy and State revenues, and without full consideration of the potential impact of the CARES Act assistance-relief, as that support had largely yet to be deployed in the Vermont economy. This forecast also reflected the significant underperformance of actual State revenue receipts during the March through June 2020 period, reflecting the combination of sharp activity declines in the State economy and the delay in the Personal Income Tax and Corporate Income Tax filing and payment "due dates" to mid-July.

[34] The IRS (and therefore the State) did not start accepting returns until mid-February, instead of the normal practice of accepting returns by late January or early February.

[35] These "short month" and "end of the month" factors also had a similar depressing effect on February receipts in the two motor fuel TIB receipts categories.

[36] The August 2020 consensus revenue forecast also included a substantial reduction in forecasted Gas TIB receipts for fiscal year 2022 (a $2.8 million or 18.5% downgrade relative to January 2020 consensus expectations), and in forecasted Diesel TIB receipts for fiscal years 2022 (a $0.1 million or 4.4% downgrade relative to January 2020 consensus expectations).

January 2021 Consensus Forecast. As described in "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2021 Forecast" herein, over the July 2020 to December 2020 period, State revenues across all major operating funds performed significantly better than the significantly diminished revenue expectations that were laid out in the August 2020 Consensus Forecast. On January 19, 2021, the Emergency Board met and approved the January 20201 Consensus Forecast. The January 2021 Consensus Forecast included a $253.3 million aggregate consensus forecast upgrade for fiscal year 2022 across all three major funds (the General Fund, Transportation Fund and Education Fund), reflecting (1) the continuing impacts of the pandemic, and (2) the federal fiscal and monetary policy responses to it. In fact, relative to the January 2020 Consensus Forecast, total State revenues in all funds for fiscal year 2022 are now expected to actually be $77.2 million higher—excluding Transportation Fund TIB receipts—than the fiscal year 2022 aggregate consensus revenue estimate set forth in the January 2020 Consensus Forecast.

The January 2021 Consensus Forecast includes a revised "Available to the General Fund" consensus revenue forecast of $1,663.6 million for fiscal year 2022. The January 2021 Consensus Forecast for the General Fund for fiscal year 2022 represented an upward adjustment of $155.7 million (or 10.3%) relative to the August 2020 Consensus Forecast for fiscal year 2022, and a $51.8 million (or 3.2%) upward adjustment in the consensus revenue forecast for fiscal year 2022 relative to the pre-pandemic January 2020 Consensus Forecast.

The January 2021 Consensus Forecast includes a revised Transportation Fund consensus revenue forecast of $285.1 million for fiscal year 2022. The revised forecast was based on the latest national and State economic outlook (including particular emphasis on State vehicle sales and the State registration fees), technical re-specifications of the Transportation Fund components' forecasting models, and updated forward-looking fuel price forecasts for the Gas Tax and the Diesel Tax, with full consideration of the effects of the COVID-19 pandemic on global oil prices. The January 2021 Consensus Forecast represented a $9.4 million (or 3.4%) upward adjustment relative to the August 2020 Consensus Forecast, and a $6.1 million (or 2.1%) downward adjustment relative to the pre-pandemic January 2020 Consensus Forecast.

The January 2021 Consensus Forecast includes a revised Education Fund consensus revenue forecast of $622.4 million for fiscal year 2022 for the non-property tax portion of the Education Fund. This revised forecast was based on the latest national and State economic outlook based on data and information roughly ten months into the COVID-19 pandemic, technical re-specifications of the forecasting models for these revenue sources, and the expected revenues associated with the fund structure changes made by Act 11 of 2018 and Act 6 of 2019. The January 2021 Consensus Forecast represented an upward adjustment of $70.2 million (or 12.7%) relative to the August 2020 Consensus Forecast for fiscal year 2022, and a $31.5 million (or 5.3%) upward adjustment relative to the pre-pandemic January 2020 Consensus Forecast. The increase reflected the expected revenue effects of an updated assessment of increased compliance by e-commerce payers and a shift by Vermont households to a preference towards e-commerce sales (relative to traditional "bricks and mortar" retail sales).

As mentioned under ""GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2021 Forecast" herein, the achievability of the revenue targets in the January 2021 Consensus Forecast remains highly uncertain, given (i) the unprecedented nature of the COVID-19 pandemic and its impacts on the State economy and revenues and (ii) the unprecedented amount of federal direct and indirect relief-assistance payments received and expected to be received by the State. Many aspects of the January 2021 Consensus Forecast are therefore subject to revision as further developments associated with the two principal forecast factors described above continue to evolve.

Fiscal Year 2022 – Consensus Revenue Forecast
($ in millions)

	January 2020 Consensus Forecast		August 2020 Consensus Forecast	% Difference (vs January 2020)		January 2021 Consensus Forecast	% Difference (vs August 2020)
General Fund	$1,611.8		$1,507.9	(6.4%)		$1,663.6	10.3%
Transportation Fund	291.2		275.7	(5.3)		285.1	3.4
Education Fund	590.9		552.2	(6.5)		622.4	12.7
Total	$2,493.9		$2,335.8	(6.3)		$2,571.1	10.1

Consensus Forecast Updates

The State routinely monitors collections and other developments with revenues, which are typically reviewed and analyzed on a monthly basis by fiscal managers. When warranted, receipts activity developments are tracked more frequently—sometimes on a daily basis (e.g. during the final payments season during the month of April). The most recent update of the consensus revenue forecast occurred on January 19, 2021 for the General Fund, Transportation Fund, and the non-property tax portion of the Education Fund covering fiscal years 2021 and 2022. The State Economists also typically provide a five fiscal year set of fiscal planning revenue estimate numbers with each consensus revenue forecast. The State updates revenue forecasts semiannually in January and July of each fiscal year—except when conditions warrant more frequent consensus forecasts-risk assessment updates and/or alterations to that typical January-July schedule for extenuating circumstances (such as during the COVID-19-impacted 2020 calendar year). The Emergency Board is scheduled to meet again in July 2021 to consider an updated staff recommended consensus revenue forecast update for fiscal years 2022 and 2023. The typical practice is to approve the updated consensus staff recommended revenue forecasts for the fiscal years as presented by the State Economists.

Staff reports from the State Economists containing the July 2021 staff-recommended consensus revenue forecast updates are expected to be accessible within one week following the meeting of the July 2021 Emergency Board. Copies of each report are typically available at the Vermont Department of Finance and Management website: https://finance.vermont.gov/reports-and-publications, and the website of the Legislative Joint Fiscal Office: https://ljfo.vermont.gov. These staff reports and any reports of the Emergency Board are not incorporated by reference herein.

Budget Stabilization Reserves

The 1987 General Assembly initially established the General Fund Budget Stabilization Reserve to "reduce the effects of annual variations in State revenues upon the budget of the State by retaining surpluses in General Fund revenues." Under current law, Budget Stabilization Reserves have been established within the General Fund, the Transportation Fund and the Education Fund.

Act No. 61 of the 1997 Legislative session amended both the General Fund and Transportation Fund budget stabilization laws by stipulating that the respective reserves shall consist of 5% of the prior year budgetary appropriations and further stipulated that in any fiscal year if the General Fund or Transportation Fund is found to have an undesignated fund deficit as determined by generally accepted accounting principles, the applicable Budget Stabilization Reserve shall be used to the extent necessary to offset that deficit. This was done to reflect the State's change to reporting its financial condition in accordance with generally accepted accounting principles.

As of June 30, 2017, the General Fund Budget Stabilization Reserve was $74.10 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $17.18 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2017 was $13.26 million. The Education Budget Stabilization Reserve was $33.46 million as of June 30, 2017 with an additional $26.49 million in Unreserved and Undesignated Fund Balance. For fiscal year 2017, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds at their respective statutory maximum levels on June 30, 2017.

As of June 30, 2018, the General Fund Budget Stabilization Reserve was $77.00 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $12.49 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2018 was $13.47 million. The Education Budget Stabilization Reserve was $34.64 million as of June 30, 2018 with an additional $21.22 million in Unreserved and Undesignated Fund Balance, and $23.28 million in encumbered fund balance. For fiscal year 2018, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds at their respective statutory maximum levels on June 30, 2018.

As of June 30, 2019, the General Fund Budget Stabilization Reserve was $78.18 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $31.55 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2019 was $13.83 million. The Education Budget Stabilization Reserve was $37.03 million as of June 30, 2019 with an additional $19.39 million in Unreserved and Undesignated Fund Balance, and $25.93 million in encumbered fund balance. For fiscal year 2019, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds at their respective statutory maximum levels on June 30, 2019.

As of June 30, 2020, the General Fund Budget Stabilization Reserve was $79.82 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $31.55 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2020 was $14.09 million. The Education Fund Budget Stabilization Reserve was $32.98 million with an additional with $35.29 million in encumbered fund balance and no additional Unreserved and Undesignated Fund Balance. For fiscal year 2020, the State fully funded the Budget Stabilization Reserves for the General, Transportation, and Education Funds at their respective statutory maximum levels on June 30, 2020.

General Fund Balance Reserve

Act No. 162 of the 2012 Legislative session established within the General Fund the General Fund Balance Reserve (a.k.a. the "rainy day reserve"), which replaced the Revenue Shortfall Reserve, effective July 1, 2012. As amended by Act 6 of 2019, after satisfying the funding requirements for the General Fund Budget Stabilization Reserve and after other statutory and/or reserve requirements have been met, 50% of any remaining unreserved and undesignated General Fund surplus at the end of the fiscal year shall be reserved in the General Fund Balance Reserve. The remaining 50% of any unreserved and undesignated General Fund surplus at the end of the fiscal year shall be transferred to the Vermont State Employees' Postemployment Benefits Trust Fund. Without legislative authorization, the balance in the General Fund Balance Reserve shall not exceed 5% of the appropriations from the General Fund for the prior fiscal year. Monies from this reserve shall be available for appropriation by the General Assembly. At the end of fiscal year 2018, the balance in the General Fund Balance Reserve was $12.49 million. During fiscal year 2019, an additional $19.06 million was added to the reserve balance in two actions: $2.82 million in 2018 Special Session Act 11 § D.101 (b)(3)(A), and $16.24 million in 2019 Act 72 § C.102.1(a)(3). At the close of fiscal year 2020, the balance in the General Fund Balance Reserve was $31.55 million.

27/53 Reserve

Act No. 172 of the 2016 Legislative session established within the General Fund the 27/53 Reserve. The fund was established to reserve funds to account for two recurring liabilities: (i) to provide funding when there is an additional, or 27th, payroll in a fiscal year, and (ii) to provide funding for an extra week of Medicaid payments, often referred to as the "53rd week." Annually, the Commissioner of Finance and Management is required to report to the Joint Fiscal Committee the projected amount of the outstanding liability and recommend a prorated share to be reserved in the upcoming fiscal year. The Governor is required to include the amount of the prorated share in his or her budget recommendation. At the close of fiscal year 2020, $18.45 million was reserved in the 27/53 Reserve fund.

Human Services Caseload Reserve

Act No. 3 of the 2017 Legislative session revived the Human Services Caseload Reserve within the General Fund. This reserve was revived to manage unanticipated fluctuations in caseload pressures at AHS, primarily within the Medicaid program, and any financial impacts that may result from changes in federal policy. At the end of fiscal year 2020, $98.24 million was reserved in the Human Services Caseload Reserve.

Financial Summaries

Following are summaries, presented on budgetary (or cash) based operating statements, of actual operating results for fiscal years 2016 through 2020, and current law for fiscal year 2021, for the General Fund, the Transportation Fund, and the Education Fund—the primary operating funds of the State.

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General Fund Operating Statement[1]

Budgetary Based
Fiscal Years 2016 – 2021
($ in Millions)

	Actual FY2016	Actual FY2017	Actual FY 2018	Actual FY2019[2]	Actual FY2020	Current Law FY2021[2]
Sources						
Current Law Revenues	$1,412.39	$1,456.92	$1,558.85	$1,339.50	$1,457.44	$1,573.70
Tax Data Warehouse	1.50	2.15	1.61	-	-	
Direct Applications, Transfers in & Reversions	51.67	88.10	68.23	58.02	96.73	109.34
Other Revenue[3]	7.93	16.34	-	272.34	52.93	181.10
Additional Property Transfer Tax	10.27	10.68	11.79	13.03	12.82	23.96
Prior Year Reserves for Appropriation	-	-	-	10.50	0.85	-
Total Sources	**1,483.77**	**1,574.19**	**1,640.49**	**1,693.39**	**1,620.78**	**1,888.1**
Uses						
Base Appropriations	1,465.62	1,533.36	1,549.35	1,281.64	1,633.73	1,620.15
Budget Adjustment/Rescissions	8.70	(15.12)	(9.51)	287.28	(37.33)	(7.13)
One-time Appropriations	-	16.10	11.05	19.01	-	31.20
Contingent One-time Appropriations from Same Year Surplus	-	-	-	-	-	-
Other Bills	4.18	5.56	12.70	8.54	10.92	18.45
Total Uses	**1,478.51**	**1,539.90**	**1,563.59**	**1,596.47**	**1,607.31**	**1,662.67**
Operating Surplus (deficit)	**5.27**	**34.29**	**76.90**	**96.92**	**13.47**	**225.43**
Transfers (to) / from Other Funds						
Internal Service Funds	-	(0.20)	-	-	-	-
Education Fund	-	-	(33.47)	-	-	-
Other Funds[4]	(3.33)	(5.57)	(17.24)	5.90	(9.65)	(50.70)
Total Transfers (to) / from Other Funds	**(3.33)**	**(5.77)**	**(50.71)**	**5.90**	**(9.65)**	**(50.70)**
Transfers (to) / from Reserves						
Other Reserves[5]	-	-	(10.50)	(0.85)	-	(160.00)
Budget Stabilization Reserve	(1.94)	(2.85)	(2.89)	(1.18)	(1.64)	(0.54)
Human Services Caseload Reserve	-	(10.00)	(12.00)	(78.09)	1.85	3.00
Reserved in 27/53 Reserve	-	(5.29)	(5.49)	(3.64)	(4.03)	(1.85)
Reserved in General Fund Balance Reserve	-	(10.38)	4.69	(19.06)	-	-
Total Reserved in the GF	**(1.94)**	**(28.52)**	**(26.19)**	**(102.85)**	**(3.82)**	**(159.39)**
Total Transfers (to) / from Surplus	**(5.27)**	**(34.29)**	**(76.90)**	**(96.92)**	**(13.47)**	**(210.09)**
Unallocated Operating Surplus/ (Deficit)	**(0.00)**	**0.00**	**0.00**	**(0.00)**	**(0.00)**	**14.84**
GF Reserves (cumulative)						
Budget Stabilization Reserve	71.25	74.10	77.00	78.18	79.82	80.37
Human Services Caseload Reserve	-	10.00	22.00	100.09	98.24	95.24
27/53 Reserve	-	5.29	10.78	14.42	18.45	20.30
Reserved in General Fund Balance Reserve	6.80	17.18	12.49	31.55	31.55	31.55
Other Reserves	-	-	10.50	0.85	-	-
Total GF Reserve Balances	**$78.05**	**$106.57**	**$132.77**	**$225.09**	**$228.06**	**$227.46**

1 Results may not add due to rounding.
2 Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to Act 154 of 2020, as amended by Act 3 of 2021 (see "Fiscal Year 2021 Budget and Budget Adjustment").
3 The amounts shown for fiscal years 2019 and 2020 as "Other Revenue" include the recognition of State Health Care Resources Fund (SHCRF) revenue as General Fund revenue, pursuant to the 2019 Budget Adjustment Act and Act 72 of 2019, respectively, in order to offset the structural change in General Fund revenues affected by Act 11 of 2018 (i.e. the loss of 100% of the Sales and Use Tax and 25% of the Meals and Rooms Tax as revenue sources) (see "Fiscal Year 2020 Budget and Budget Adjustment"). The amount shown for fiscal year 2021 includes a $51.2 million transfer of CRF funds to the General Fund pursuant to Act 109 of 2020, Sec. 29(b).
4 The amount shown for fiscal year 2021 "Transfers to/from Other Funds" includes a $51.2 million interfund loan repayment to the CRF pursuant to Act 109 of 2020, Sec. 30(a)(1).
5 The amount shown for fiscal year 2021 "Transfers to/from Other Reserves" reflects $160 million for carryforward into fiscal year 2022.

Transportation Fund Operating Statement[1]

Budgetary Based
Fiscal Years 2016 – 2021
($ in Millions)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY2019	Actual FY 2020	Current Law FY 2021[2]
Sources						
Current Law Revenues	$264.61	$ 271.19	$ 278.96	$ 280.67	$ 264.11	$ 275.00
New Revenue	-	-	-	-	-	-
Refund of Prior Year	0.03	0.02	0.17	1.92	0.05	-
Bond Premium	-	-	-	-	-	-
Direct Applications & Reversions	-	-	-	-	-	-
Current Year Sources	**264.64**	**271.21**	**279.14**	**282.59**	**264.15**	**275.00**
For Approp from General Fund Transfer	-	-	-	-	-	-
Prior Year Unallocated Operating Surplus	1.58	-	-	1.45	-	24.16
Total Sources	**266.22**	**271.21**	**279.14**	**284.04**	**264.15**	**299.16**
Uses						
Base Appropriations	261.49	278.35	275.23	276.82	282.91	271.98[3]
Budget Adjustments	1.61	(2.22)	1.54	6.09	(1.94)	(3.38)
Current Year Reversions	-	(8.57)	(2.08)	(3.05)	(44.60)	(4.95)
Excess Receipts	-	-	0.10	-	-	-
Pay Act	2.00	1.85	1.85	1.85	2.37	3.91
One-time Appropriations	-	-	-	-	-	**12.30**
Total Uses	**265.10**	**269.40**	**276.64**	**281.71**	**238.73**	**279.87**
Operating Surplus (deficit)	**1.12**	**1.81**	**2.50**	**2.33**	**25.42**	**19.29**
Allocation of Surplus						
Transfers (to) / from Other Funds:						
Downtown Fund	(0.42)	(0.42)	(0.42)	(0.42)	(0.42)	(0.52)
Central Garage Fund	(0.16)	(0.70)	(0.20)	(1.32)	(0.36)	(1.01)
Other Funds	0.15	0.14	0.16	0.14	0.15	(0.06)
VT Recreational Trail Fund	(0.44)	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Total transfers (to) / From Other Funds	**(0.88)**	**(1.35)**	**(0.83)**	**(1.97)**	**(1.00)**	**(1.96)**
Reserved in TF (designated):						
Bond Insurance Premium Reserve	-	-	-	-	-	-
Budget Stabilization Reserve	(0.24)	(0.46)	(0.21)	(0.36)	(0.26)	2.15
Total Reserved in the TF (designated)	(0.24)	(0.46)	(0.21)	(0.36)	(0.26)	2.15
Total Allocated	**(1.12)**	**(1.81)**	**(1.05)**	**(2.33)**	**(1.26)**	**0.19**
Unallocated Operating Surplus / (deficit)	**0.00**	**0.00**	**1.45**	**0.00**	**24.16**	**19.48**
TF Reserves (cumulative)						
Bond Insurance Premium Reserve	-	-	-	-	-	-
Transportation FMS Development Fund						
Budget Stabilization Reserve	12.79	13.26	13.47	13.83	14.09	11.94
Total TF Reserve Balances	**$12.79**	**$13.26**	**$13.47**	**$13.83**	**$14.09**	**$11.94**

[1] Results may not add due to rounding.

[2] Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to Act 154 of 2020, as amended by Act 3 of 2021 (see "Fiscal Year 2021 Budget and Budget Adjustment").

[3] End of year reversions of transportation appropriations will occur under Secretary of Administration authority in Act 154 of 2020, Sec. D.100.1.

Education Fund Operating Statement[1]

Budgetary Based
Fiscal Years 2016 – 2021
($ in Millions)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Current Law FY 2021[2]
Sources						
Net Homestead Education Tax	$420.79	$416.63	$414.51	$428.95	$443.73	$467.11
Non-Homestead Education Tax	630.67	632.77	644.49	676.70	700.31	732.63
Base General Fund Appropriation to Education Fund[3]	303.34	305.90	314.70	-	-	-
2017 Act 85 Sec. D.101.1 - Additional GF	-	-	3.27	-	-	-
2018 Act 11 Sec. C.1000(b)(3) - Additional GF	-	-	9.80	-	-	-
2018 Act 11 Sec. C.1000(b)(5) - Additional GF	-	-	20.40	-	-	-
Sales & Use Tax[3]	129.76	131.85	139.22	412.51	432.47	488.40
Purchase & Use Tax	33.38	34.41	36.48	37.27	35.13	40.13
Meals & Rooms Tax[3]	-	-	-	45.51	40.89	31.60
Lottery Transfer	26.40	25.52	27.15	29.47	26.82	29.30
Medicaid Transfer	9.62	10.60	10.16	11.28	10.56	10.00
Fund Interest	0.17	0.38	0.49	0.68	0.84	0.30
Solar Energy Property Tax & Other	0.22	0.37	0.52	0.75	0.80	0.60
Wind Property Tax	0.87	0.82	0.85	1.25	1.04	1.00
All Other Revenues	-	0.01	0.86	0.66	0.46	0.40
2018 Act 11 Sec. 111 Sec. 282(c)(1) - Tax Modernization Changes	-	-	(0.01)	(0.02)	-	-
2019 Act 6 Sec. 82(b) - Advanced Wood Boilers Tax Expenditure	-	-	-	0.04	0.06	-
2019 Act 72 Sec. E.500.2 – Education Financial Systems Transfer	-	-	-	-	1.91	-
Total Sources	**1,555.23**	**1,559.25**	**1,622.88**	**1,645.05**	**1,695.02**	**1,801.47**
Uses						
Education Payment – Education Spending	1,287.09	1,306.01	1,343.43	1,367.56	1,426.40	1,488.55
Education Payment - Driver's Ed, Unenrolled FTEs, Act 46 Grants	2.87	1.92	0.09	0.04	0.79	0.95
Special Education	172.45	178.09	183.04	192.26	202.50	223.72
State-Placed Students	16.21	15.95	15.40	20.79	13.70	18.00
Transportation	17.73	18.06	18.65	19.25	19.80	20.46
Technical Education	13.15	13.34	12.82	13.13	12.44	14.82
Small Schools	7.60	7.37	7.28	7.99	7.80	8.20
EEE Block Grant	6.29	6.14	6.39	6.60	6.45	7.04
Capital Debt	0.03	0.02	-	-	-	-
Adult Education & Literacy/Flexible Pathways	6.50	6.57	9.17	5.25	9.10	8.26
Renter Rebate (EF share only: 70%)	6.47	6.17	6.30	-	-	-
Reappraisal, Listing Payment, & Accounting Fees	3.47	3.50	3.23	0.26	0.17	-
Corrections Education	3.69	3.31	3.19	-	-	-
Teachers' pension - normal cost	-	-	7.90	7.70	6.78	6.88
Education finance & administration	0.96	1.01	1.02	1.00	2.92	3.38
2012 Act 156 Sec. 22 - Prevent Child Abuse at Independent Schools	0.33	-	-	-	-	-
2016 Act 148 Sec. 4(d) – Sp. Education Consulting	-	0.08	-	-	-	-
2018 Act 173 Sec. 11(d) – Education Funding Study	-	-	-	-	0.25	-
Total Uses	**1,544.84**	**1,567.53**	**1,617.92**	**1,641.82**	**1,709.11**	**1,800.26**
Current Year Reversions	**-**	**-**	**-**	**-**	**-**	**13.96**
Operating Surplus/(Deficit)	**10.39**	**(8.29)**	**4.96**	**3.23**	**(14.09)**	**15.18**
Transfers (to) / from Reserves						
Budget Stabilization Reserve	(0.57)	(0.84)	(1.18)	(2.40)	4.06	(5.24)
Unreserved/Unallocated	8.96	1.70	(9.05)	(2.65)	(9.36)	-
Total Transfers (to) / from Reserves	**8.40**	**0.86**	**(10.23)**	**(5.05)**	**(5.31)**	**(5.24)**
Unallocated Operating Surplus / Deficit	**18.79**	**(7.43)**	**(5.27)**	**(1.82)**	**(19.39)**	**9.94**
EF Reserves						
Budget Stabilization Reserve	32.61	33.46	34.64	37.03	32.98	38.22
Designated for Continuing Appropriations (Encumbered)	15.93	14.23	23.28	25.93	35.29	21.33
Current Year Unallocated/Unreserved	33.92	26.49	21.22	19.39	-	9.94
Total EF Reserve Balance	**$82.46**	**$74.17**	**$79.13**	**$82.36**	**$68.27**	**$69.48**

[1] Results may not add due to rounding.

[2] Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to Act 154 of 2020.

[3] Reflects the impact of Act 11 of 2018, effective fiscal year 2019, namely (i) the elimination of the General Fund transfer to the Education Fund, and (ii) the dedication of 100% of the Sales and Use Tax and 25% of the Meals and Rooms Tax to the Education Fund. See "STATE FUNDS AND REVENUES – State Education Fund Revenues" herein.

Fiscal Year 2021 Budget and Budget Adjustment

The fiscal year 2021 Budget Adjustment Act can be found at:

https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT003/ACT003%20As%20Enacted.pdf

The fiscal year 2021 budget process was an atypical one due to the onset of the COVID-19 pandemic, which severely disrupted the State's economy as well as its government. The onset of the pandemic, which resulted in a shutdown of non-essential government operations, occurred while the Governor's fiscal year 2021 Recommended Budget (developed based upon the consensus revenue forecast of January 16, 2020) was being considered by the Legislature but before a fiscal year 2021 budget act had been passed. Prior to the start of fiscal year 2021, the Legislature was able to re-convene in a remote online format, and an interim budget for the first quarter of fiscal year 2021 was passed with Act 120 of 2020, which was signed by the Governor on June 30, 2020. This interim budget provided for continuity of government operations despite a very uncertain revenue picture.

The Emergency Board adopted official revised revenue estimates for fiscal year 2021 at its meeting on August 12, 2020, showing significant downgrades to the January 2020 Consensus Forecast. The General Fund estimate of $1,413.9 million represented a decrease of $182 million (11.4%) from the January 2020 Consensus Forecast for the General Fund. Subsequent to the August Emergency Board meeting, the Governor's fiscal year 2021 Recommended State Budget Restatement (the "FY2021 Restatement Budget") was introduced to the Legislature, and contemplated federal relief funding related to the COVID-19 pandemic, along with State spending for emergency response as well as economic recovery efforts. The FY2021 Restatement Budget was enacted on October 2, 2020 with Act 154 of 2020. The FY2021 Restatement Budget, as passed, provided for total appropriations of $1,669.50 million. In developing the FY2021 Restatement Budget, departments statewide were instructed to submit budgets that included 5% reductions from the totals in the pre-pandemic FY2021 Governor's Recommended Budget that had previously been submitted.

In January 2021, the Emergency Board approved a significantly upgraded General Fund consensus revenue forecast for fiscal year 2021, reflecting an 11.3% (or $159.8 million) increase versus the August 2020 Consensus Forecast for the General Fund. This significant revenue upgrade was based on factors primarily attributable to federal aid and stimulus dollars. (See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Fiscal Years 2021 Forecast.")

During each fiscal year, the Legislature may deem it necessary to adjust the current year's budget. This change is implemented via the Budget Adjustment Act ("BAA"). The BAA is enacted into law similarly to the appropriations act. The fiscal year 2021 BAA (which was enacted on March 2, 2021 as Act 3 of 2021 (the "2021 Budget Adjustment Act" or "2021 BAA")) incorporates budget adjustments that are largely technical in nature. Notably, the 2021 BAA was developed prior to the January 2021 Emergency Board meeting, and used the August 2020 Consensus Forecast as the current law revenue assumption. As a result, the 2021 BAA does not appropriate any of the revenue contemplated by the revenue upgrades reflected in the January 2021 Consensus Forecast.

This combination of upgraded General Fund revenues, in addition to direct applications and reversions of $109.34 million, additional property transfer tax proceeds of $23.96 million, and deferred revenues from fiscal year 2020 of $181.10 million results in total General Fund sources of $1,888.10 million. Relative to $1,662.67 million in adjusted appropriations, an operating surplus of $225.43 million is budgeted. After transfers to reserves, the Budget Stabilization reserve will be fully funded at $80.37 million, and the remaining balance ($160.0 million) will be reserved in temporary General Fund reserves to be used in fiscal year 2022.

The fiscal year 2021 changes to the Transportation Fund budget are based on an update in the consensus revenue forecast from $258.60 million (in the August 2020 Consensus Forecast) to $275.00 million (in the January 2021 Consensus Forecast), and $24.16 million in unallocated revenue carried forward from fiscal year 2020, and reduced Transportation Fund appropriations of $3.38 million, with a projected end-of-year surplus of $19.48 million to be carried forward into fiscal year 2022.

The fiscal year 2021 current law Education Fund budget, comprised of the fiscal year 2021 budget (Act 154 of 2020), provides for a current year operating surplus of $9.94 million. The fiscal year 2021 BAA had no effect on the fiscal year 2021 Education Fund budget. This budget also anticipates a Budget Stabilization Reserve of $38.22 million, which reflects the 5% statutorily required amount.

Fiscal Year 2022 Budget Proposal

In accordance with State law, the Governor presented the fiscal year 2022 Executive Budget Recommendations to the General Assembly on January 26, 2021; the General Assembly is now considering the recommendations.

The Governor's proposed fiscal year 2022 General Fund budget is based on the January 2021 Consensus Forecast for the General Fund of $1,663.6 million. Direct applications and reversions of $71.2 million, property transfer tax proceeds of $40.8 million, other net-revenue changes of $63.5 million, and a forecasted carryforward of $160.0 million in General Funds from fiscal year 2021, provide a total of $1,999.1 million in budgeted General Fund revenues for fiscal year 2022. The Governor's proposed fiscal year 2022 General Fund budget provides for total appropriations of $1,903.0 million, total transfers to other funds of 96.1 million, and projects a fully funded Budget Stabilization Reserve of $83.43 million and an ending balance in the General Fund Balance Reserve of $31.55 million.

The Governor's proposed fiscal year 2022 Transportation Fund budget is based on the January 2021 Consensus Forecast for the Transportation Fund of $285.10 million and federal reimbursements the State receives from indirect costs associated with federal grants of $15.00 million. This budget provides for total appropriations of $311.12 million and projects a fully funded Budget Stabilization Reserve of $13.99 million at the end of fiscal year 2022.

The Governor's proposed fiscal year 2022 Education Fund budget results in an unallocated/unreserved balance of $18.60 million with a $0.03 million operating deficit. This budget also anticipates a Budget Stabilization Reserve of $39.84 million, which reflects the 5% statutorily required amount.

The Governor's budgetary projections are preliminary and subject to change. There can be no assurance that the General Assembly will pass the Governor's proposed budget in substantially the form presented. The proposed budget may be found at: https://ljfo.vermont.gov/assets/Uploads/5e2f67e87f/FY2022_Executive_Budget_Summary-v2.pdf.

State Dependence on Federal Funds

The State's fiscal year 2020 GAAP based operating results show revenues of $6,091.8 million, of which $2,273.3 million (37.3%) came from federal funds. Of the remaining $3,818.5 million in State funds, $1,569.8 million represents General Fund revenues. The State's major reserve funds are currently fully funded and in each year since the Great Recession the State has shown a commitment to efficiently and effectively deal with any reduction in federal revenues by covering the shortfall with other funds or enacting rescissions.

It should be noted that while the $2.272.3 million in federal funds represents an increase of $267 million (13.3%) from the amount received in fiscal year 2019, approximately $239 million of this increase was directly related to the COVID-19 pandemic. Approximately $154 million of fiscal year 2020 reported revenue was received as CRF monies provided by the federal CARES Act legislation, along with another approximately $84.5 million of other COVID-related federal funds related to the public health emergency.

The budgetary impact of federal pandemic assistance to the State has played an even larger role during fiscal year 2021, with CRF appropriations totaling approximately $900 million as of March 2, 2021, the date of enactment of the 2021 Budget Adjustment Act. While this certainly represents a significant sum, the expenditure of these funds is restricted by federal rules limiting State use to COVID-related expenditures, and forbidding its use by the State for revenue replacement (even if the revenue loss was attributable to the pandemic). Consequently, while federally funded pandemic assistance to the State has played a significant role in offsetting incremental expenses related to the pandemic, as well as in providing economic support for adversely affected constituents, these funds have not been a structural component of base budget expenditures. The Governor's Recommended Budget for fiscal year 2022 does not incorporate the appropriation of CRF monies or other federal pandemic assistance funds (i.e., expected receipts from the ARP (see "COVID-19 GLOBAL PANDEMIC" herein)). Indeed, federal pandemic assistance programs that constitute economic assistance to individuals and businesses have a much greater State budgetary impact (by ensuring the stability of tax revenues) than any direct support received by the State for base budget expenses.

With respect to federal aid relating to healthcare, Vermont's Medicaid and Long-Term Care are not covered by the traditional federal programs; they are covered under a Section 1115 demonstration waiver. The waiver represents a written agreement with the federal Centers for Medicare and Medicaid Services ("CMS"), which runs through December 2021. AHS expects to submit an extension request to CMS for its Section 1115(e) Demonstration Waiver: Global Commitment to Health by June 30, 2021.

The Low-Income Home Energy Assistance Program (LIHEAP) is a federal and State funded program. For fiscal year 2021, the program was budgeted to receive $20.8 million in federal awards. LIHEAP funds covered 100% of the federally eligible expenses incurred by the state. These expenses include a seasonal fuel benefit, weatherization assistance, furnace repair and replacement, fuel tank replacement and crisis fuel benefits. State funds were used to provide a seasonal fuel benefit for households above 60% of the State Median Income and below 185% of the Federal Poverty Limit, a crisis fuel benefit for households between 60% of the State Median Income and 200% of the federal poverty level, and the administration of the crisis fuel program by community action agencies. For fiscal year 2021, the State had enough State funds to cover the expenses that were not federally eligible.

REVENUE ESTIMATES

Act No. 178 of the 1996 Adjourned Session established a mechanism by which the State adopts official revenue estimates for the current and subsequent fiscal years. By July 15th and January 15th of each year, and at such other times as the Emergency Board or the Governor deem proper, the JFO and the Secretary of Administration are to provide to the Emergency Board (comprised of the Governor and the Chairs of the key taxing and spending committees of both chambers of the Vermont Legislature) their respective staff-recommended revenue estimates for the General, Transportation, Education, and health care funds, and revenues from the gross receipts tax, for the current and next succeeding fiscal year. Federal funds are estimated for the current fiscal year. The Emergency Board, within ten days of receipt of such estimates, is required to determine an official revenue estimate for the current and next succeeding fiscal year.

The January 2021 Consensus Forecast was approved by the Emergency Board on January 19, 2021. These estimates reflected a consensus forecast between the State Economists for the U.S. and Vermont economies, the major individual revenue components of each fund, and overall forecasted level of receipts "available" for the General Fund (including health care revenues), the Transportation Fund, and for several major sources of revenues—other than State education property tax receipts—for the Education Fund. The January 2021 Consensus Forecast is a current law forecast that includes all changes to date as enacted by the Vermont General Assembly (see "STATE FUNDS AND REVENUES – State General Fund Revenues," "– State Transportation Fund Revenues," and "– State Education Fund Revenues"). The January 2021 Consensus Forecast also incorporated the relevant aspects of the State's latest short-term economic forecast developed as part of the consensus forecasting process between the State economists. When available, the consensus forecast utilizes the State economic forecast developed as part of the State's participation in NEEP, a regional, non-profit economic forecasting group affiliated with leading private sector businesses in New England, major academic and financial institutions in the region, and the Federal Reserve Bank of Boston. NEEP forecasts for the State have been developed and published only intermittently since calendar year 2016. Because of the reduced availability of the NEEP annual economic forecasts for the State in recent years, the consensus macroeconomic forecast used for the current consensus forecasting cycle was developed cooperatively by the State economists using an on-line modeling capability provided by Moody's Analytics as jointly subscribed to by the JFO and the Administration. The online forecasting capability allows for timely, customized state forecasts with modeling capability similar to the former NEEP macroeconomic forecast update capability. The State macroeconomic forecast is a consensus short-term macroeconomic forecast for the variables listed below.

The following discussion describes the level of current law revenues estimated under the January 2021 Consensus Forecast that are "Available to the General Fund" (including health care revenues, "Available to the Transportation Fund," and "Available to the Education Fund" to support appropriations in fiscal years 2021 and 2022. Such estimates reflect anticipated increases or decreases in collections in each revenue aggregate, the allocation of such collections between the General Fund, Transportation Fund, and the Education Fund pursuant to all relevant Acts passed by the Vermont General Assembly, the effects of the COVID-19 pandemic as they were understood as of

January 2021, as well as other administrative actions taken by the Vermont Department of Taxes designed to boost compliance under the State's major consumption taxes by taxpayers involved in e-commerce transactions activity.

General Fund – Consensus Revenue Estimates

The following group of taxes and fees are those that are significant sources of revenue available for General Fund appropriations, provided that, as noted below, a statutory portion of Meals and Rooms Tax receipts (25%) is allocated to the Education Fund.

Personal Income Tax: The January 2021 Consensus Forecast for the Personal Income Tax for fiscal years 2021 and 2022 reflects a consensus assessment for the path of the State's economic and labor market recoveries from the steep and quick economic downturn that resulted from the COVID-19 pandemic. The updated consensus forecast fully incorporates the effects of the increases in personal income from the various direct and indirect federal fiscal relief-assistance measures in the CARES Act and the COVID Relief Act, which passed during calendar year 2020. The updated January 2021 Consensus Forecast also includes full consideration of the considerable downside revenue risks from income tax refunding as individuals and corporations file final returns in the second half of fiscal year 2021 and into fiscal year 2022. These risks include the tax and accounting treatment of some of the large amounts of federal stimulus funding currently circulating in the State economy that could potentially give rise to higher-than-expected refunds and/or tax payments to the State in the Spring 2021 final tax payment filing season. For example, unemployment payments will be taxable income to recipients for tax year 2020, and there is at least some anecdotal evidence from selected accountants practicing in the State that suggests there could be a number of Vermont taxpayers who received unemployment insurance in tax year 2020 who may have under-withheld. That suggests that final payments this Spring may exceed current expectations from that factor, despite the historically large Personal Income Tax withholding payments that have been made to the State by the Vermont Department of Labor since March 2020. Conversely, it was also determined by the U.S. Internal Revenue Service late last calendar year that payments to Vermont qualifying businesses under the Paycheck Protection Program ("PPP") were to be "not taxable" for tax years 2020 and beyond. In the opinion of selected Vermont tax accountants, since PPP supported expenses can be deducted for tax purposes, this could result in lower Personal Income Tax (and Corporate Income Tax) payments over at least the initial PPP's time frame. In some cases, there have been suggestions that this situation may lead to the payment of higher-than-expected business-income related refunds over at least the near-term in the Personal Income Tax (and in the Corporate Income Tax where applicable).

As a result of these complexities, it is difficult for the State to fully quantify how tax liabilities may be affected in the Spring 2021 filing season and for fiscal year 2022. Even with the possibilities of lowered payments into the State and the potential of large refund payments going out this fiscal year (and potentially into next fiscal year), however, it is expected under the January 2021 Consensus Forecast that Personal Income Tax receipts will continue to increase over the fiscal year 2021 through fiscal year 2022 period despite the effects of the COVID-19 pandemic. Another one of the potentially significant unknowns specifically for the fiscal years 2021 through fiscal year 2022 period is the potential for a modest boost in Personal Income Tax receipts from remote workers, who in tax year 2020 and 2021 may have been working within Vermont for out-of-state employers and would therefore be subject to taxation in the State under the Vermont Personal Income Tax.

The January 2021 Consensus Forecast for the Personal Income Tax includes expected revenue receipts of $945.4 million for fiscal year 2021, reflecting a 2.1% increase in receipts versus fiscal year 2020 receipts, and $961.7 million for fiscal year 2022, reflecting a 1.2% increase as compared to forecasted fiscal year 2021 receipts "Available to the General Fund" for this component. Relative to the August 2020 Consensus Forecast, the January 2021 Consensus Forecast represents a 13.1% increase in the consensus revenue forecast for the Personal Income Tax for fiscal year 2021. For fiscal year 2022, the January 2021 Consensus Forecast represents an 11.1% increase in the consensus revenue forecast for this component relative to the August 2020 Consensus Forecast.

Corporate Income Tax: The January 2021 Consensus Forecast for Corporate Income Tax receipts for fiscal year 2021 and fiscal year 2022 reflects the ongoing year-to-year volatility in this tax source and the combination of the uncertainties associated with the downstream behavioral effects on taxpayers of the TCJA and the impact of the COVID-19 pandemic on corporate profits. The updated consensus forecast also incorporates recent Corporate Tax collection trends, which suggest taxpaying companies have done reasonably well in terms of business activity and profits in calendar year 2020. The combination of historically low interest rates and aggressive liquidity support from the U.S. Federal Reserve during the pandemic has supported business balance sheets, while the effects of the federal fiscal relief-assistance appear to have helped maintain business sales directly and indirectly. Recent corporate tax receipts also reflect the State Unitary tax law, and the market-based sourcing rules that were recently adopted in the State. Although current evidence indicates that "repatriation payments" from the TCJA have dropped off significantly in the most recent tax year, the consensus forecast update in the January 2021 Consensus Forecast expects Corporate Tax revenues will rise significantly in fiscal year 2022 after technical internal funds transfers between the Personal Income Tax and Corporate Income Tax components tied to the State's single voucher Non-Resident Withholding payments system dampened Corporate Tax receipts expectations overall for fiscal year 2021 as the inter-component receipts adjustments were made.

The January 2021 Consensus Forecast for fiscal year 2021 Corporate Tax revenues calls for a decline in forecasted receipts of 44.3% year-over-year to $82.4 million, versus the $147.9 million in actual Corporate Tax receipts during fiscal year 2020—mostly a reflection of the unusual internal funds transfer issues (identified above with respect to the State's single voucher Non-Resident Withholding system) that are expected to result in a one-time reduction of fiscal year 2021 Corporate Tax receipts by more than $35.0 million. The January 2021 Consensus Forecast expects that Corporate Tax receipts in fiscal year 2022 will increase to $120.6 million, an increase of 46.4% on a year-over-year comparative basis on the expected reduction in the previous year's internal transfers, fiscal year 2021 forecasted receipts total. Relative to the August 2020 Consensus Forecast, the January 2021 Consensus Forecast for the Corporate Tax represents a 67.1% increase in the consensus revenue forecast for the Corporate Income Tax for fiscal year 2021. For fiscal year 2022, the January 2021 Consensus Forecast represents a 44.6% increase in the consensus revenue forecast for this component relative to the August 2020 Consensus Forecast.

Meals and Rooms Tax: The January 2021 Consensus Forecast reflects the consensus forecast for a restrained level of tourism activity in the State during the 2021 calendar year due to the COVID-19 pandemic. Revenues from this source have experienced harsh year-over-year declines in activity since the start of the pandemic. Revenues in the traditional rooms sub-component of this tax source have been particularly hard hit, although on-line rental activity has managed to be stronger than activity levels even prior to the pandemic. In fact, revenues overall in this tax source so far in fiscal year 2021 have been tracking reasonably close to overall August 2020 Consensus Forecast expectations over the first half of fiscal year 2021. Even so, revenues overall remain flat on a seasonally-adjusted basis, and revenues have not exceeded expectations to the degree that many other State revenue sources did over the first half of fiscal year 2021 (through December 2020). That, in combination with the continuation of restraints on Canadian visitor activity, contributed to a downward January 2021 consensus revenue forecast adjustment for this revenue source for fiscal year 2021 before recovering somewhat in fiscal year 2022.

The January 2021 Consensus Forecast overall calls for a total of $126.4 million in gross Meals and Rooms Tax revenues for fiscal year 2021, representing a 22.7% decline on a year-over-year basis from actual fiscal year 2020 "Gross" Meals and Rooms Tax receipts. The January 2021 Consensus Forecast for fiscal year 2021 calls for a total of $166.4 million in Meals and Rooms Tax revenues, reflecting an increase of 31.6% versus forecasted "Gross" Meals and Rooms Tax receipts for fiscal year 2021. Relative to the August 2020 Consensus Forecast for fiscal year 2021, the January 2021 Consensus Forecast represents a 6.2% decrease for "Gross" Meals and Rooms Tax receipts over actual fiscal year 2020 receipts. For fiscal year 2022, the January 2021 Consensus Forecast represents a 3.4% increase year-to-year in "Gross" Meals and Rooms Tax receipts versus the August 2020 Consensus Forecast for this component as activity levels begin to get back to normal.

The January 2021 Consensus Forecast for the General Fund portion of this tax source (at $87.2 million in fiscal year 2021 and $114.8 million in fiscal year 2022) and for the Education Fund portion of this tax source (at $31.6 million in fiscal year 2021 and $41.6 million in fiscal year 2022) fully reflects the allocation changes to affected tax sources as prescribed by Act 11 of 2018. For the General Fund portion of the Meals and Rooms Tax, the updated January 2021 Consensus Forecast represents a 24.9% decline in fiscal year 2021 versus actual fiscal year 2020 receipts levels, and a 31.6% increase in fiscal year 2022 receipts over the forecasted fiscal year 2021 receipts levels. For the Education Fund portion of the Meals and Rooms Tax, the January 2021 Consensus Forecast includes a 22.7% decline in receipts for fiscal year 2021 versus actual receipts levels in fiscal year 2020, and an increase of 31.6% in receipts for fiscal year 2022 versus the forecasted fiscal year 2021 receipt levels.

Other Taxes and Revenues "Available to the General Fund": This category of taxes, fees, and other revenues is comprised of revenue sources ranging from the State's tax on insurance premiums (including captive insurance companies), the inheritance and estate tax, taxes levied on real estate transfers (which have been robust during the pandemic as the State has been viewed as a kind of COVID-19 “safe-haven”), taxes on property or revenues levied on telephone companies operating in Vermont, fines assessed by regulatory authorities and the judicial system, fees levied on financial product offerings (such as mutual funds) registered in Vermont, and other similar levies and revenue assessments. These tax levies and sources have historically mirrored changes in economic activity in Vermont, as adjusted for federal and State tax and fee changes. The January 2021 Consensus Forecast for other revenue sources in this category reflects historical collections patterns, recent State changes in the inheritance and estate tax, the continuing evolution of changes in State real estate markets and the associated changes in real estate capital gains realizations, and special factors and other circumstances that have been identified in consultation with contacts in various State departments and agencies responsible for receipts collection and monitoring for these sources. The January 2021 Consensus Forecast also reflects the out-years effects related to the doubling in securities registration fees which were effective starting in fiscal year 2017 (beginning on July 1, 2016). The January 2021 Consensus Forecast also includes the continuation of a significant level of sales of services revenue from the leasing of vacant prison beds within the State to the U.S. Marshall Service. The updated consensus forecast also includes a new category of revenues labeled Health Care Taxes and Revenues, as a result of Act 6 of 2019, which moved selected revenue sources from the State Health Care Resources Fund to the General Fund beginning in fiscal year 2019. As has been the case since July 1, 1998, the January 2021 Consensus Forecast for the General Fund does not include any revenues from lottery profits.

During the 2020 session of the Vermont General Assembly, there were no major changes to General Fund tax and other revenue sources made that would significantly impact these revenue sources over the forecast period.

Transportation Fund – Consensus Revenue Estimates

For the Transportation Fund, the January 2021 Consensus Forecast includes specific consensus forecasts for each of the five major components of the fund: (1) the Gasoline Tax, (2) the Diesel Tax, (3) the Purchase and Use Tax (two-thirds of which is allocated to the Transportation Fund and one-third of which is allocated to the Education Fund per statute), (4) Motor Vehicle Fees, and (5) Other Fees. The January 2021 Consensus Forecast for the Purchase and Use Tax mirrors the expected number of vehicle sales within the State and the overall path of interest rates—particularly those rates tied to vehicle sales and leasing activity. New car sales, like many other personal luxury goods, have benefitted from the large personal income gains derived from the federal fiscal pandemic relief-assistance funds supporting household consumption expenditures. The forecast expects continued increased vehicle sales will result in strong Purchase and Use Tax receipts in fiscal years 2021 and 2022, before scaling back in later fiscal years. In addition, while the near-term outlook for energy prices remains uncertain but still somewhat downbeat as the global energy markets reset after pandemic-induced energy demand declines forced energy prices down significantly over much of calendar year 2020, the remainder of fiscal year 2021 and 2022 are expected to see a firming in energy prices. This ordinarily is a prescription for a period of restrained fuel tax revenue performance in the Transportation Fund, which likely will be at least partially offset by an initial flush of fuel tax receipts activity as the tourism sector begins to recover. The January 2021 Consensus Forecast of these tax and fee sources also incorporates the effect of motor vehicle fuel efficiency improvements in general, and the diminishing, but still impactful, two-year renewal cycle for motor vehicle registrations in the motor vehicle registration fee component of Transportation Fund receipts.

Overall, although the January 2021 Consensus Forecast represents a significant upgrade in the Transportation Fund’s revenue receipts in fiscal year 2021 and fiscal year 2022 relative to the August 2020 Consensus Forecast, “Available to the Transportation Fund” receipts in fiscal year 2021 and fiscal year 2022 are expected to still track below the pre-pandemic January 2020 Consensus Forecast. More specifically, the January 2021 Consensus Forecast for fiscal year 2021 includes a 4.1% year-over-year increase in aggregate Transportation Fund revenues to $275.0 million versus actual fiscal year 2020 Transportation Fund receipts. The January 2021 Consensus Forecast also calls for a 3.7% increase in Transportation Fund revenues for fiscal year 2022, as compared to forecasted fiscal year 2021 Transportation Fund receipts. Relative to the August 2020 Consensus Forecast, the January 2021 Consensus Forecast represents a 6.3% increase in the consensus revenue forecast for the Transportation Fund for fiscal year 2021 versus actual fiscal year 2020 receipts. For fiscal year 2022, the January 2021 Consensus Forecast represents a 3.4% increase in total “Available to the Transportation Fund” receipts relative to the August 2020 Consensus Forecast.

There were no actions taken to affect revenues during the 2020 session of the Vermont General Assembly that would significantly impact the various Transportation Fund revenue sources over the forecast period.

Education Fund – Consensus Revenue Estimates

The taxes, fees, and transfers listed below reflect the major sources revenue available to the Education Fund. As noted above, in addition to those revenue sources listed below, 25% of Meals and Rooms Tax receipts is allocated to the Education Fund.

Sales and Use Tax: The January 2021 Consensus Forecast for the Sales and Use Tax for fiscal year 2021 and fiscal year 2022 includes a consensus assessment of recent collections activity and economic activity trends that have impacted this tax source, including the updated near-term outlook for economic conditions against the context of the still evolving COVID-19 pandemic, including the complex interplay of the massive amounts of federal fiscal-assistance financial support received by households and the negative factors impacting revenue receipts associated with the pandemic have actually played out in terms of net revenue receipts activity. More specifically, the large increases in direct and indirect personal income support from the CARES Act and the COVID Relief Act and the recent inclusion of e-commerce in the Vermont taxable base for the Sales and Use Tax has resulted in significant increases in State consumption tax revenues—particularly as e-commerce sales activity has increased. As a result, the updated January 2021 Consensus Forecast expects total Sales and Use Tax revenues in fiscal year 2021 to exceed the consensus August 2020 Consensus Forecast revenues by more than $70.0 million and the pre-pandemic January 2020 Consensus Forecast revenues for this source by more than $30.0 million. The January 2021 Consensus Forecast also expects that these elevated levels of Sales and Use Tax receipts will not recede to levels below their pre-pandemic levels for fiscal year 2022 (and beyond as well), with forecasted receipts for fiscal year 2022 expected to exceed the August 2020 Consensus Forecast total by approximately $40.0 million.

The January 2021 Consensus Forecast for fiscal year 2021 includes a 10.0% year-over-year increase in Sales and Use Tax revenues to $589.7 million versus actual fiscal year 2020 Sales and Use Tax receipts. The January 2021 Consensus Forecast also calls for another 4.0% increase in Sales and Use Tax revenues for fiscal year 2022 to $622.4 million, as compared to forecasted fiscal year 2021 Sales and Use Tax receipts. Relative to the August 2020 Consensus Forecast, the January 2021 Consensus Forecast represents a 15.3% increase in the consensus revenue forecast for Sales and Use Tax receipts for fiscal year 2021. For fiscal year 2022, the January 2021 Consensus Forecast represents a 12.7% increase relative to the August 2020 Consensus Forecast for this component.

Other Taxes and Revenues Available to the Education Fund: This category of taxes, fees and other revenues is comprised of the statutorily-prescribed one-third of the motor vehicle Purchase and Use Tax, a transfer of net receipts after expenses from the State Lottery and net interest receipts from the Education Fund (see "STATE FUNDS AND REVENUES – State Education Fund Revenues"). The January 2021 Consensus Forecast for these revenues sources also includes consensus revenue expectations for fiscal year 2021 and fiscal year 2022 regarding motor vehicle sales (see the "REVENUE ESTIMATES – Transportation Fund – Consensus Revenue Estimates" above) and the statutory allocation percentage of the tax source's gross revenues to the Education Fund, net revenues derived from the profits realized by State Lottery activities, and net interest earned on cash balances that are allocated by statute to the Education Fund.

Recent Legislative Changes to Education Fund Taxes and Fees. The 2020 session of the Vermont General Assembly made only one minor change to the Use tax portion of the Sales and Use Tax that was estimated to have an impact of less than $0.8 million per fiscal year in magnitude. This was determined to be very small in scale particularly against the background of the economic and revenue impacts associated with the effects of the COVID-19 pandemic.

Consensus Revenue Estimate Summaries

The following table compares actual revenue collections for the major individual revenue components of the General Fund (i.e., the Personal Income Tax, the Corporate Income Tax, 75% of the Meals and Rooms Tax and certain Other Taxes and Revenues), the Transportation Fund (i.e., the Gasoline Tax, the Diesel Tax, two-thirds of the Purchase and Use Tax, Motor Vehicle Fees and Other Fees) and the Education Fund (i.e., the Sales and Use Tax, 25% of the Meals and Rooms Tax, one-third of the Purchase and Use Tax, the transfer from the State Lottery and Net Interest) for fiscal years 2019 and 2020, and the projected revenue collections for fiscal year 2021 and fiscal year 2022 as set forth in the January 2021 Consensus Forecast. Commencing in fiscal year 2019, Health Care Taxes and

Revenues are included in the "Available to the General Fund" totals per Act 6 of 2019, which moved selected revenue sources of the State Health Care Resources Fund to the "Available to the General Fund" totals.

Revenues reflected below are reported on a "Schedule 2" receipts basis as adjusted by the consensus forecast to account for a fiscal shift in revenues tied to the estimated effects of the delay in the filing and payment due-dates for certain Personal Income Tax and Corporate Income Tax payments to July 15, 2020 from their normal due-dates of between March 1, 2020 and June 30, 2020. That filing and payment delay distorted the normal seasonal pattern to receipts activity in the Personal Income Tax by reducing fiscal year 2020 receipts and increasing fiscal year 2021 by $161.96 million. In the Corporate Income Tax, the "fiscal shift" reduced fiscal year 2020 Corporate Income Tax receipts and increased fiscal year 2021 Corporate Income Tax receipts by $19.18 million. The numbers reported below adjust for those distortions to put actual receipts for fiscal year 2020 and forecasted receipts for fiscal year 2021 on a comparable basis. The August 2020 Consensus Forecast and the January 2021 Consensus Forecast each included these consensus estimates of "fiscal shift" revenues in the fiscal year totals as approved and presented below.

Sources	Actual Fiscal 2019	Actual Fiscal 2020[1]	Forecast Fiscal 2021[1]	Forecast Fiscal 2022[1]	Percentage Change 2019–2020
Available to General Fund:					
Personal Income Taxes	$875,425,522	$925,841,703	$945,400,000	$961,700,000	5.8
Corporate Income Taxes	134,190,797	147,939,670	82,400,000	120,600,000	10.2
Meals and Rooms Taxes[2]	136,537,818	116,059,891	87,216,000	114,816,000	(15.0)
Other Taxes	130,213,807	112,498,383	126,803,000	132,289,000	(13.6)
Total Taxes	$1,276,367,943	$1,302,339,647	$1,241,819,000	$1,329,395,000	2.0
Healthcare Taxes-Assessments	271,547,818	280,857,345	280,383,000	281,330,000	3.4
Other Revenues	63,960,109	57,162,224	51,450,000	52,927,000	(10.6)
Total General Fund	$1,611,875,258	$1,640,359,216	$1,573,652,000	$1,663,652,000	1.8%
Available to Transportation Fund:					
Gasoline Taxes[3]	$77,816,711	$71,033,380	$67,100,000	$71,600,000	(8.7)
Diesel Taxes[3]	18,556,358	17,911,433	17,700,000	18,600,000	(3.5)
Purchase and Use Taxes[4]	74,538,750	70,269,523	80,267,000	83,400,000	(5.7)
Motor Vehicle Fees	85,408,995	83,6380270	88,400,000	88,800,000	(2.1)
Other Fees	24,348,000	21,254,296	21,500,000	22,700,000	(12.7)
Total Transportation Fund	$280,668,814	$264,106,903	$274,967,000	$285,100,000	(5.9)%
Available to Education Fund:					
Sales and Use Taxes	$412,509,226	$432,472,348	$488,400,000	$507,900,000	4.8
Meals and Rooms Taxes[2]	45,512,605	40,893,392	31,600,000	41,600,000	(10.1)
Purchase and Use Taxes[4]	37,269,375	35,134,762	40,133,000	41,700,000	(5.7)
Lottery Transfer	29,470,435	26,822,401	29,300,000	30,900,000	(9.0)
Net Interest	676,347	489,718	300,000	280,000	83.8
Total Education Fund	$525,437,989	$536,161,217	$589,733,000	$622,380,000	2.0%

1 For fiscal years 2021 and 2022, forecasted totals reflect current law as of January 19, 2021 as approved by the Emergency Board. Actual Fiscal Year 2020 receipts and forecasted receipts for fiscal year 2021 include consensus estimates of "fiscal shift" revenues in the Personal Income Tax and Corporate Income Tax totals.

2 Per statute, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education Fund.

3 Excludes receipts dedicated to pay debt service on transportation infrastructure bonds (see "STATE INDEBTEDNESS – Transportation Infrastructure Bonds").

4 Per statute, two-thirds of Purchase and Use Tax receipts are apportioned to the Transportation Fund and one-third of Purchase and Use Tax receipts are transferred to the Education Fund.

Source: Vermont Department of Finance and Management. Fiscal totals may not add due to rounding.

The following two tables reflect budgetary-based revenue history from fiscal years 2018 through 2020 and forecasted revenues for fiscal year 2021 and fiscal year 2022 for the General Fund, the Transportation Fund, and the Education Fund:

Revenues "Available to the General Fund"
Budgetary Based ($ in Millions)

COMPONENT	Actual 2018	Percent Change	Actual 2019	Percent Change	Actual 2020	Percent Change	Forecast 2021[1]	Percent Change	Forecast 2022[1]	Percent Change
AVAILABLE TO THE GENERAL FUND										
TAXES:										
Personal Income	$832.0	10.0%	$875.4	5.2%	$925.8	5.8%	$945.4	2.1%	$961.7	1.7%
Sales and Use[2]	258.6	5.6	0.0	NM	0.0	NM	0.0	NM	0.0	NM
Corporate	96.4	0.6	134.2	39.3	147.9	10.2	82.4	(44.3)	120.6	46.4
Meals and Rooms[3]	173.2	4.8	136.5	(21.2)	116.1	(15.0)	87.2	(24.9)	114.8	31.6
Liquor[4]	19.8	3.6	21.4	8.1	4.1	(80.7)	4.2	1.4	4.3	2.4
Insurance	57.5	1.0	56.9	(1.2)	58.0	2.1	59.2	2.0	59.8	1.0
Total Telephone Tax	4.7	(16.8)	4.3	(8.8)	3.2	(26.4)	1.6	(49.8)	1.4	(12.5)
Beverage	7.1	2.5	7.6	6.9	7.1	(5.3)	7.4	3.4	7.6	2.7
Estate	22.9	37.6	12.7	(44.9)	15.2	20.1	23.4	54.1	26.7	14.2
Property Transfer	12.4	(1.5)	12.5	0.9	12.9	3.0	18.1	40.6	19.3	7.0
Bank Franchise	13.1	(1.3)	12.5	(4.6)	12.1	(3.0)	12.6	4.1	12.8	1.6
Other Taxes	1.8	(15.2)	2.4	32.9	0.4	(84.7)	0.4	(6.7)	0.3	(2.9)
TOTAL TAXES:	$1,499.5	7.4%	$1,276.4	(14.9)%	$1,302.9	2.1%	$1,241.8	(4.7)%	$1,329.4	7.1%
OTHER REVENUES:										
Business Licenses	$1.2	(2.9)%	$1.2	(1.0)%	$1.1	(4.5)%	$1.2	5.0%	$1.3	8.3%
Fees	47.1	(2.9)	47.0	(0.2)	44.7	(4.7)	42.4	(5.2)	43.6	2.8
Services	2.9	(4.2)	3.4	16.4	2.4	(27.1)	2.4	(1.9)	2.3	(4.2)
Fines, Forfeits	3.5	(19.8)	3.3	(5.6)	4.8	44.3	3.1	(35.8)	3.3	6.5
Interest, Premiums	2.3	96.1	4.3	87.8	3.3	(24.5)	1.5	(53.9)	1.4	(6.7)
Other	2.4	(18.8)	4.6	92.7	0.7	(83.6)	0.9	13.7	1.0	17.6
TOTAL OTHER	$59.4	(3.0)%	$63.7	7.4%	$57.2	(10.3)%	$51.5	(10.0)%	$52.9	2.8%
HEALTH CARE REVENUES[5]	$0.0	NM	$272.3	NM	$280.9	3.1%	$280.4	(0.2)%	$281.3	0.3%
TOTAL GENERAL FUND	$1,558.9	7.0%	$1,612.5	3.4%	$1,640.9	1.8%	$1,573.7	(4.1)%	$1,663.6	5.7%

[1] Based on the January 2021 Consensus Forecast. Represents a current law forecast including the fund allocations under Act 11 of 2018.
[2] For fiscal years 2017 and 2018, 64% of the Sales and Use Tax was apportioned to the General Fund and 36% was transferred to the Education Fund. Commencing in fiscal year 2019, 100% of the Sales and Use Tax is apportioned to the Education Fund, per Act 11 of 2018.
[3] For fiscal year 2018, 100% of the Meals and Rooms Tax was apportioned to the General Fund. Commencing in fiscal year 2019, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education Fund, per Act 11 of 2018.
[4] Commencing in fiscal year 2020, this revenue source was reconfigured as a transfer to the General Fund made by the Vermont Department of Liquor Control for the approximate amount of revenues collected by all but one of the pre-fiscal year system of accounts. Commencing in fiscal year 2020, only a single tax source among the old accounts configuration remains "Available to the General Fund." This table reflects that re-configuration of accounts.
[5] Commencing in fiscal year 2019, Health Care Taxes and Revenues are included in the "Available to the General Fund" totals per Act 6 of 2019, which moved selected sources of the State Health Care Resources Fund to the General Fund.

Source: Vermont Department of Finance and Management. Fiscal year totals may not add due to rounding. NM means Not Meaningful.

Revenues Available to the Transportation Fund and Education Fund
Budgetary Based ($ in Millions)

COMPONENT	Actual 2018	Percent Change	Actual 2019	Percent Change	Actual 2020	Percent Change	Forecast 2021[1]	Percent Change	Forecast 2022[1]	Percent Change
AVAILABLE TO THE TRANSPORTATION FUND[2]										
Gasoline Tax	$78.2	0.0%	$77.8	(0.5)%	$71.0	(8.7)%	$67.1	(5.5)%	$71.6	6.7%
Diesel Tax	18.9	3.6	18.6	(1.6)	17.9	(3.5)	17.7	(1.2)	18.6	5.1
Purchase and Use Tax[3]	73.0	6.0	74.5	2.2	70.3	(5.7)	80.3	14.2	83.4	3.9
Motor Vehicle Fees	86.0	(0.3)	85.4	(0.7)	83.6	(2.1)	88.4	5.7	88.8	0.5
Other Fees	23.0	15.3	24.6	7.0	21.3	(13.5)	21.5	1.2	22.7	5.6
TOTAL TRANSPORTATION FUND	$279.0	2.8%	$280.9	0.7%	$264.1	(6.0)%	$275.0	4.1%	$285.1	3.7%
AVAILABLE TO THE EDUCATION FUND										
Sales and Use Tax[4]	$139.2	5.6%	$412.5	196.3%	$432.5	4.8%	$488.4	12.9%	$507.9	4.0%
Meals and Rooms Tax[5]	0.0	NM	45.5	NM	40.9	(10.1)	31.6	(22.7)	41.6	31.6
Purchase and Use Tax[3]	36.5	6.0	37.3	2.2	35.1	(5.7)	40.1	14.2	41.7	3.9
Other[6]	27.6	6.7	30.1	9.1	27.7	(8.2)	29.6	7.0	31.2	5.3
TOTAL EDUCATION FUND	$203.3	5.8%	$525.4	158.4%	$536.2	2.0%	$589.7	10.0%	$622.4	5.5%
MEMO: "Source" Purchase and Use[7]	$109.4	6.0%	$111.8	2.2%	$105.4	(5.7)%	$120.4	14.2%	$125.1	3.9%
MEMO: "Source" Sales and Use[7]	$397.8	5.6%	$412.5	3.7%	$432.5	4.8%	$488.4	12.9%	$507.9	4.0%
MEMO: "Source" Meals and Rooms Tax[7]	$173.2	4.8%	$182.1	5.1%	$163.6	(10.1)%	$126.4	(22.7)%	$166.4	31.6%

1 Based on the January 2021 Consensus Forecast. Represents a current law forecast including the fund allocations under Act 11 of 2018.
2 Excludes receipts dedicated to pay debt service on transportation infrastructure bonds (see "STATE INDEBTEDNESS – Transportation Infrastructure Bonds").
3 Per statute, two-thirds of Purchase and Use Tax receipts are apportioned to the Transportation Fund and one-third of Purchase and Use Tax receipts are transferred to the Education Fund.
4 Per statute, commencing in fiscal year 2019, 100% of the Sales and Use Tax is apportioned to the Education Fund, per Act 11 of 2018.
5 For fiscal year 2018, 100% of the Meals and Rooms Tax was apportioned to the General Fund. Commencing in fiscal year 2019, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education Fund, per Act 11 of 2018.
6 Includes net revenue after expenses (profits) transfer from the State Lottery and Net Interest receipts allocated to the Education Fund.
7 The term "Source" reflects total revenues for that source regardless of allocations to any individual fund.

Source: Vermont Department of Finance and Management. Fiscal year totals may not add due to rounding. NM means Not Meaningful.

MAJOR GOVERNMENTAL PROGRAMS AND SERVICES

Human Services

The Agency of Human Services (AHS) comprises the following departments and offices:

Office of the Secretary: This Office includes the Office of Health Care Reform, Operations Unit, Fiscal Unit, Policy and Field Services. It also provides support for the Human Services Board, the Vermont Commission of National and Community Service, Refugee Resettlement and the Developmental Disabilities Council.

Department of Disabilities, Aging and Independent Living: This Department assists elderly Vermonters and adults with disabilities to live as independently as possible. It helps adults with disabilities to find and maintain meaningful employment. It licenses inpatient health care facilities and long-term care providers.

Department of Corrections: In partnership with Vermont communities, this Department serves and protects the public by offering a continuum of graduated sanctions for offenders to repair the damage their crimes have caused to victims and communities. The Department operates corrections facilities for incarcerated offenders and Community Correctional Service Centers for offenders convicted of lesser crimes. It also supports 64 Community Reparative Boards that develop sanctions and restorative plans in order for many nonviolent offenders to make amends for their crimes and return value to their communities.

Department of Health: This Department protects and promotes health, and prevents disease and injury through public health programs to maintain and improve the health status of all Vermonters. Programs focus on infectious and chronic disease control and prevention (e.g., injury prevention, and healthy babies programs), surveillance (e.g., disease reporting), and protection (e.g., restaurant inspections).

Department of Mental Health: This Department promotes the health and well-being of Vermonters in coordination with community organizations, providing statewide mental health services for children, families, adults and the elderly. These services include psychiatry, case management, employment, crisis and residential care. In addition to the provision of inpatient services at the Vermont Psychiatric Care Hospital, the Department also works in collaboration with advocacy and consumer organizations to ensure that educational, support and peer-directed services occur statewide.

Department for Children and Families: This Department administers several programs that address the basic needs of Vermonters who are unable to provide for themselves and their dependents. These programs promote the well-being of families and individuals through welfare-to-work services, in-kind benefits and cash assistance. The Department also helps families and individuals lead healthy and independent lives by providing support services and offering educational, information, and prevention services to communities. Social services seek to break the cycle of abuse, neglect and delinquency. Child care services take a lead role in developing quality child care services in Vermont. The Division of Child Support enforces state and federal statutes to ensure that children receive financial support from absent parents and improves financial security for children by obtaining child support obligations and payments.

Department of Vermont Health Access: This Department promotes the well-being of families and individuals through the provision of health care coverage. The Department is responsible for the management of Medicaid, the State Children's Health Insurance Program, State-only funded programs, federal-only funded programs and Vermont Health Connect (VHC).

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The sources of AHS's appropriations for fiscal years 2019, 2020 and 2021 are as follows:

	Fiscal Year 2019 Appropriations	Fiscal Year 2020 Appropriations	Current Law Fiscal Year 2021 Appropriations[1]
General Fund	$970,084,531	$956,441,794	$971,143,759
Federal Funds[2]	1,398,017,231	1,455,103,898	1,461,939,461
Tobacco Settlement	22,338,208	23,088,208	25,088,208
Special Funds[3]	118,774,582	125,602,076	116,106,216
Other Funds	25,000	25,000	25,000
Total	$2,509,239,552	$2,560,260,976	$2,574,302,644

1 Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to the 2021 Budget Adjustment Act (see "Fiscal Year 2021 Budget and Budget Adjustment").
2 Federal Funds includes ARRA funds.
3 Special Funds includes State Health Care Resources Fund and other AHS special funds.

Medicaid and State Health Insurance Initiatives

Medicaid

In October 2016, AHS received approval from the federal government to continue Vermont's Global Commitment to Health ("Global Commitment") Medicaid 1115 Demonstration waiver. The approval is for a five-year term effective January 1, 2017 through December 31, 2021. The State amended this waiver in 2018 to receive federal expenditure authority to make payments for institutions for mental diseases for the primary treatment of substance use disorders. The State amended the waiver again in late 2019 to receive expenditure authority to make payments for institutions for mental diseases for the primary treatment of serious mental illness. AHS expects to submit an extension request to CMS for its Global Commitment waiver by June 30, 2021.

Since 2005, Vermont has used the Global Commitment waiver to operate its Medicaid program under an innovative model developed to provide essential services for Vermont's most vulnerable populations, including people with disabilities, seniors and those with low incomes, and to ensure affordable health care coverage for children and middle-income Vermonters. These efforts have positioned Vermont as a national leader in state-based health care reform.

The current five-year waiver term includes several key benefits to Medicaid participants:

- Medicaid coverage of essential services for Vermont's most vulnerable populations, including people with disabilities, seniors, and those with low incomes;
- Affordable health care coverage for children through the "Dr. Dynasaur" program;
- Premium assistance for low and middle-income Vermonters through the state-based health benefits exchange, Vermont Health Benefit Exchange (a.k.a. Vermont Health Connect (VHC)); and
- Payment and delivery system reform by ensuring Medicaid participation and alignment with the All-Payer Accountable Care Organization Model.

Under this current term, CMS made certain changes to Vermont's waiver in an effort to better align 1115 Demonstration waivers across the country. Under this extension, Vermont has moved from an aggregate budget neutrality agreement to a per member per month ("PMPM") budget neutrality model. Vermont now joins all other 1115 demonstrations in using the PMPM model so the State is not at risk for caseload growth.

Since 2005, Vermont's Medicaid delivery system has required AHS departments to adhere to federal Medicaid Managed Care rules in exchange for Medicaid Managed Care flexibilities. During Vermont's 2010 negotiations, CMS determined that a unit of state government may not legally be considered a Managed Care Entity and may not be at risk for loss of federal matching funds if Medicaid expenditures were to exceed the annually certified PMPM. In 2016, CMS further expanded on this determination in connection with newly promulgated Medicaid managed care rules. As a result, Vermont is now considered to have a "Public Managed Care-Like Model" and, with a few exceptions, Vermont must follow Medicaid Managed Care regulatory expectations as if it were a "non-risk pre-paid inpatient health plan (PIHP)".

State Health Care Reform

Overview

Federal health care reform enacted in the Patient Protection and Affordable Care Act ("ACA") has impacted Vermont's Medicaid program and Global Commitment waiver by shifting the source of coverage for many Vermonters. In 2011, the Legislature passed Act 48 of 2011 ("Act 48"). Act 48 provided for the creation of (i) the Green Mountain Care Board ("GMCB") to address health care costs, and (ii) a state-based health benefits exchange, Vermont Health Benefit Exchange (a.k.a. Vermont Health Connect or VHC), in compliance with the ACA. The GMCB, together with the Agency of Human Services and the Office of the Governor negotiated a state/federal agreement with the Center for Medicare and Medicaid Innovation ("CMMI") to transform the health care system by changing the way health care is paid for and delivered across all payers, including Medicare. Vermont's agreement requires 70% of Vermont residents to be attributed to a fee-for-service, value-based alternative payment model by 2022. Vermont's health care reform efforts support an integrated delivery system across the care continuum.

Green Mountain Care Board

The GMCB was created by the Vermont Legislature in 2011 under Act 48. It is an independent group of five Vermonters who, with their staff, are charged with ensuring that changes in the health system improve quality while stabilizing costs. The Legislature assigned the GMCB three main responsibilities as they pertain to healthcare in Vermont: regulation, innovation, and evaluation. The GMCB regulates not only health insurance rates, but also hospital budgets and major hospital expenditures. The Board also innovates, testing new ways to pay for and deliver health care as part of its role in transforming the system. A key example of this duty is the GMCB's role in regulating and assessing the progress of Vermont's All-Payer Accountable Care Organization Model (see "Other Federal Health Care Initiatives" below).

Vermont Health Connect (VHC)

The creation of a state-based health benefits exchange, such as Vermont Health Connect ("VHC"), is a requirement of the ACA. Act 48 authorized VHC and provides a framework for its goals, functions and governance structure. VHC was established as a division of the Department of Vermont Health Access to build on existing State healthcare infrastructure and avoid duplication of expense. VHC is a virtual marketplace through which Vermonters can access, compare and select health plans; and it is also the vehicle through which Vermonters can access federal tax credits and cost sharing reductions available through the ACA and State premium and cost sharing reductions provided for by the State. VHC began enrolling individuals through its website on October 1, 2013 for coverage beginning January 1, 2014 and worked with health insurers to enroll small businesses directly into VHC insurance plans for coverage beginning in calendar year 2014.

As of January 2021, more than 205,000 Vermonters (approximately one-third of the population) were enrolled in coverage through VHC (Qualified Health Plans and Medicaid for Children and Adults) either through the marketplace or directly through an insurance carrier. Of those, 95% qualify for either Medicaid or financial help to lower the cost of coverage. The State has attained the second-lowest uninsured rate in the nation according to the National Center for Health Statistics, and the lowest uninsured rate for children according to the State Health Access Data Assistance Center. As of the 2018 Vermont Household Health Insurance Survey, Vermont's uninsurance rate is only 3.2%.

While the State received certain federal funding and grants to help design, develop and implement the VHC, it is now solely responsible for funding the ongoing operations and maintenance of the VHC. The State expects to fund such costs through a combination of State appropriations and Medicaid funds. For fiscal year 2020, total VHC maintenance and operating costs were $50 million. Of this, $19.3 million was appropriated by the

Legislature from State funds and $30.6 million was funded through federal Medicaid. In the fiscal year 2021 budget, $50 million is budgeted for VHC operations and maintenance. Of this amount, $19.3 million was appropriated by the Legislature from State funds and $30.6 million was funded through federal Medicaid.

The State previously covered many individuals through Medicaid, Catamount Health and Medicaid expansion programs under Global Commitment. As of January 1, 2014, these individuals with incomes above 133% of the federal poverty level (FPL) accessed coverage through VHC. The ACA provided federal premium tax credits and cost-sharing subsidies to low and middle-income individuals enrolled in VHC beginning in fiscal year 2014. In addition, to maintain the State's current affordability standards, the State offers additional financial assistance to Vermonters enrolled via VHC with incomes below 300% of the FPL to ensure that premiums are affordable and to Vermonters enrolled via VHC with incomes below 250% FPL to ensure affordable deductibles and out-of-pocket maximums. The cost of this additional financial assistance for fiscal year 2020 was $6.9 million, of which $3.8 million was financed from General Fund revenues. On a going forward basis, the cost of this additional financial assistance is expected to decrease slightly as a result of changes to the federal cost-sharing subsidies. The State continues to evaluate how it will fund the remaining costs of these measures on an ongoing basis, but currently expects to fund such costs through a mix of savings generated from the migration of individuals from the Vermont Health Access Plan and Catamount Health to qualified health plans, additional State appropriations, Medicaid funds and federal grants. The ACA did not have any additional State fiscal impact in fiscal year 2020, and the State is currently evaluating the impact on future fiscal years.

Other Federal Health Care Initiatives

The administration and the GMCB are working collaboratively with the CMMI to implement a multi-payer fee-for-service alternative payment model. In October 2016, Vermont signed an All-Payer Model (APM) agreement with CMS to support continued transition to value-based payments. In the model, the federal government allows Vermont to waive certain Medicare payment and quality rules in order to harmonize State-level payment and quality rules across all payers: Medicare, Medicaid and commercial insurance. The Vermont All-Payer Accountable Care Organization ("ACO") Model builds on existing multi-payer payment models to better support and promote a more integrated system of care and a sustainable rate of overall health care cost growth in Vermont. Value-based payments that shift risk to health care providers and that are aligned across all payers encourage collaboration across the care continuum and can result in better health outcomes for Vermonters. Vermont Medicaid and OneCare Vermont signed a contract to launch the Vermont Next Generation (VMNG) ACO program for calendar year 2017, and has since extended that contract in 2018, and successively thereafter through 2021. In 2021, 111,532 Vermont Medicaid members are attributed to the program, representing 83% of full benefit, non-dual Medicaid members as of January 1, 2021. The program payment model is aligned with Next Generation Payment Model 4 and includes the following items: upside and downside risk for the ACO, quality measures aligned with the APM agreement and a portion of payment contingent on quality. From a budget standpoint, the majority of the Department of Vermont Health Access' full-benefit non-dual Medicaid members are now attributed to a fixed-price payment model, providing more predictability to both the State and healthcare providers.

The State cannot predict at this time the impact that any federal health care reform plan, if passed, might have on the State and its programs.

Aid to Municipalities

Significant portions of Vermont's budget are used to support the State's cities, towns and school districts. Total Education Fund appropriated expenditures were $1.65 billion in fiscal year 2019, $1.73 billion in fiscal year 2020, and $1.80 billion in fiscal year 2021. Agency of Education administration was paid for with General Funds and Federal funds, allowing the Education Fund to be spent entirely on direct support of students.

General Funds in the amount of $16.0 million in fiscal year 2019, $16.6 million in fiscal year 2020, and $17.1 million in fiscal year 2021 were distributed to towns to reimburse taxes reduced for land conservation and management programs. Additionally, the State contributed $104.0 million in fiscal year 2019, $120.3 million in fiscal year 2020, and $125.9 million in fiscal year 2021 to the State Teachers' Retirement System.

In fiscal year 2020, $58.2 million was appropriated to municipal highway programs (excluding appropriations for Federal Highway Administration (FHWA) Emergency Relief to town highways and Federal

Emergency Management Agency (FEMA) Public Assistance Grants[1]), funded with $44.3 million in State funds, $0.7 million in State clean water funds, an additional $0.6 million in State funds appropriated as match for federal FEMA funds, and $12.6 million in federal funds (excluding an additional $3.2 million for federal disaster assistance). For fiscal year 2021, $63.4 million was appropriated to municipal highway programs (excluding appropriations for Federal Highway Administration (FHWA) Emergency Relief to town highways and Federal Emergency Management Agency (FEMA) Public Assistance Grants), funded with $46.5 million in State funds, $4.6 million in State clean water funds, and $12.2 million in federal funds (excluding an additional $1.2 million for federal disaster assistance).

	Fiscal Year 2019 Appropriations	Fiscal Year 2020 Appropriations	Current Law Fiscal Year 2021 Appropriations*
State Aid to Local School Districts	$1,372,931,462	$1,428,800,000	$1,489,500,000
Special Education Aid to Local Districts	198,471,642	212,956,000	223,718,575
Vermont State Teachers' Retirement System Contributions	104,034,594	120,247,389	125,894,201
Town Highway Grants	49,105,158	45,604,029	51,168,983
Total	$1,724,542,856	$1,807,607,418	$1,890,281,759

* Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to the 2021 Budget Adjustment Act (see "Fiscal Year 2021 Budget and Budget Adjustment").

Additionally, the State provides local direct tax support to individual taxpayers through the following programs:

	Fiscal Year 2019 Appropriations	Fiscal Year 2020 Appropriations	Current Law Fiscal Year 2021 Appropriations*
Property Tax Assistance	$16,600,000	$16,600,000	$17,100,000
Land Use Reimbursement	15,981,672	16,603,039	17,120,500
Total	$32,581,672	$33,203,039	$34,220,500

* Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to the 2021 Budget Adjustment Act (see "Fiscal Year 2021 Budget and Budget Adjustment").

Higher Education

The State provides extensive assistance for programs of higher education through a higher education system that includes three major components. These include direct appropriations to the University of Vermont ("UVM") and the Vermont State College System ("VSCS") and support through direct financial aid grants to students by the Vermont Student Assistance Corporation ("VSAC"), which also receives an annual appropriation.

[1] These appropriations included disaster funding for federally declared disasters, mostly for town highways but also for town public buildings, schools and non-profits. These appropriations are excluded because it is the State's usual practice not to appropriate disaster aid; it was appropriated in fiscal years 2019 and 2020 because of the magnitude of the damage from Tropical Storm Irene in August 2011.

	Fiscal Year 2019 Appropriations	Fiscal Year 2020 Appropriations	Current Law Fiscal Year 2021 Appropriations*
University of Vermont	$42,509,093	$51,200,593	$71,864,093
Vermont State Colleges	29,508,239	44,173,739	89,116,239
Vermont Student Assistance Corporation	19,414,588	25,078,588	24,978,588
Total	$91,431,920	$120,452,920	$185,958,920

* Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to the 2021 Budget Adjustment Act (see "Fiscal Year 2021 Budget and Budget Adjustment").

Recently, there has been considerable discussion about the future of the VSCS against the backdrop of significant financial challenges that arose in Spring 2020 when the COVID-19 pandemic forced the closure of its campuses. While the COVID-19 pandemic-induced financial crisis in 2020 resulted in an additional, one-time $28.8 million appropriation during the State's 2019-2020 legislative session to help keep the system financially viable, that appropriation also included a provision for a study committee to recommend a way forward for the VSCS to put it on a more sustainable path to the future. In December 2020, that committee approved a set of recommendations as laid out in a report authored by the National Center for Higher Education Management Systems. These recommendations included that the State: (1) increase its regular annual appropriation to the VSCS from $30 million to $47.5 million a year; (2) provide the VSAC with another $5 million per year to directly defray the cost of attendance in the VSCS for State residents; and (3) provide a substantial amount of one-time appropriations support, including $8 million for fiscal year 2022, to help fund the start of a system-wide transformation. The report emphasized that it was unlikely that the VSCS would be able to achieve the level of cost reductions required to ensure its long-term financial sustainability.

The committee-adopted report does not recommend the closing any of the individual VSCS campuses, but it does note that the VSCS should reduce its physical footprint, and likely will need to demolish underused structures on the VSCS campuses that cannot be safely refurbished. For example, the report suggested that with shrinking enrollments and a renewed focus on adult education, at least some of the VSCS residence facilities were no longer required for sustainable operations. In addition, report included a proposal, unanimously approved by the VSCS Board of Trustees on February 21, 2021, to consolidate three of the four VSCS institutions—Northern Vermont University, Vermont Technical College, and Castleton University—to one school with multiple campuses under one academic accreditation for the 2023-2024 academic year. Under the proposal, the Community College of Vermont would remain a separate institution. The report also recommended the consolidation of administrative services among all four institutions and the system's roughly 11,000 enrolled students and 1,800 faculty and staff.

The report is a starting point for a set of discussions on the future of the VSCS during the current 2020-2021 legislative session, and these discussions remain on-going.

General Fund Appropriations by Major Function

The following table shows a breakdown of General Fund appropriations by major function for fiscal year 2017 to fiscal year 2021.

General Fund Appropriations by Major Function

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Current Law Fiscal Year 2021[1]
General Government	$76,106,286	$78,458,601	$92,335,137	$92,266,436	$95,126,355
Protection to Persons and Property	140,610,696	146,899,384	156,587,023	164,710,860	152,439,889
Human Services	686,962,815	689,767,401	975,587,802	960,370,523	977,495,760
Education	501,192,792	514,674,531	224,346,054	251,100,702	258,476,856
Labor	3,455,020	3,282,129	2,980,386	4,569,407	4,898,964
Natural Resources	27,246,133	28,026,319	28,285,697	29,608,969	32,202,460
Commerce and Community Development	15,851,541	15878052	15,932,584	16,529,933	16,411,166
Other – One-time	17,356,042	18,784,659	27,552,794	11,737,301	49,785,503
Debt Service	71,120,080	67,817,542	72,860,749	76,413,324	75,828,995
Total Appropriations	$1,539,901,405	$1,563,588,618	$1,596,468,226	$1,607,307,455	$1,662,665,948

[1] Based on the consensus revenue forecast adopted by the Emergency Board on January 19, 2021 and appropriations effective March 2, 2021 pursuant to the 2021 Budget Adjustment Act (see "Fiscal Year 2021 Budget and Budget Adjustment").

Clean Water Initiatives

In 2016, the U.S. Environmental Protection Agency ("EPA") finalized a pollution budget, also referred to as a total maximum daily load ("TMDL"), for Lake Champlain, a large freshwater lake that borders the northern and western part of the State, to address water quality concerns including periodic harmful algal blooms. The 2016 Vermont Lake Champlain Phosphorus TMDL document, which relates to the Vermont segments of Lake Champlain, includes an Accountability Framework with a suite of 28 milestones the State is required to meet by certain dates. The milestones were organized into successive milestone periods, with the first covering years 2015 to 2017. The first milestone period targets completion of milestones that fundamentally focus on the establishment of new programs and permits described in the Vermont Lake Champlain Phosphorus TMDL and the implementation and enforcement of programs already in place. The first year of this two-year milestone period included 16 milestones that were to be completed by December 30, 2016; the second year contains the remaining 12 milestones that were to be completed by December 30, 2017.

The EPA evaluated the first 16 milestones and provided a satisfactory interim report-card to the State in early 2017. The State submitted its most recent update to the EPA on its progress under the Accountability Framework in March 2018. After review of this submission, in April 2018 the EPA gave Vermont a "provisional pass" in that there were three outstanding milestones that had yet to be fully addressed—two related to stormwater regulation and the third related to establishing a long-term revenue source to support the successful and full implementation of the Vermont Lake Champlain Phosphorus TMDL. The State has since addressed both remaining milestones with the adoption of a new 3-acre permit stormwater rule, and the passing of Act 76 during the 2019 legislative session. In April 2020, the EPA evaluated Vermont's progress again, stating that Vermont is on track to meet the Lake Champlain cleanup targets. To date, Vermont has controlled 62,000 pounds, or 13%, of the phosphorous reduction needed to meet water quality standards in Lake Champlain by 2038.

Act 76 of 2019 changed the funding mechanisms for the Clean Water Fund ("CWF"). Effective October 1, 2019, the Meals and Rooms Tax revenue was reallocated such that 6% of the revenue will be directed to the Clean Water Fund, with the balance being split 69% to the General Fund and 25% to the Education Fund. This is a change from the previous allocation of 75% to the General Fund and 25% to the Education Fund. It is anticipated that this source of revenue, in addition to other revenues from the Property Transfer Tax clean water surcharge and abandoned bottle deposits, will generate $17.8 million to the CWF in fiscal year 2021. Appropriations made from this anticipated revenue, together with appropriations made through the Capital Bill, Transportation Bill, the Budget Bill, and one-time Federal funding, will result in more than $50 million to fund clean water initiatives in fiscal year 2020, with similar amounts expected every fiscal year thereafter. In fiscal year 2022, $20.3 million of revenue is expected to the CWF.

Climate Change Initiatives

The State is part of the U.S. Climate Alliance, a bipartisan coalition of 25 states that have committed to reducing greenhouse gas emissions consistent with the goals of the 2016 Paris Agreement. Working in parallel with other members of the U.S. Climate Alliance, the State is focused on helping to accelerate solutions that address the climate crisis in the absence of federal action. By implementing climate mitigation, adaptation and resilience strategies, the State also believes it will better position its economy to benefit and thrive from the global transition to carbon neutrality and national and international efforts to address the crisis.

In furtherance of these goals, in September 2020, the Vermont legislature passed the Global Warming Solutions Act (Act 153 of 2020) (the "GWSA"). The GWSA creates a planning process and framework to ensure stepped, strategic action on climate change, with a goal of achieving net zero emissions of greenhouse gases by 2050. In addition, the GWSA sets forth the following greenhouse gas reduction requirements: (i) not less than 26% from 2005 greenhouse gas emissions by January 1, 2025, (ii) not less than 40 percent from 1990 greenhouse gas emissions by January 1, 2030 and (iii) not less than 80% from 1990 greenhouse gas emissions by January 1, 2050.

The GWSA establishes the Vermont Climate Council, which is charged with identifying, analyzing and evaluating strategies and programs to reduce greenhouse gas emissions, achieve the State's reduction requirements set forth in the GWSA, and build resilience to prepare the State's communities, infrastructure and economy to adapt to the current and anticipated effects of climate change. The work of the Climate Council builds on Vermont's on-going efforts to improve resilience, mitigation the State's most significant flood vulnerabilities and invest in the State's natural and working lands. Pursuant to the GWSA, on or before December 1, 2021, the Climate Council is required to adopt a Vermont Climate Action Plan (the "Plan") and then update the Plan on or before July 1 every four years thereafter. The Plan shall include specific initiatives, programs and strategies that will:

- Reduce greenhouse gas emissions from the transportation, building, regulated utility, industrial, commercial and agricultural sectors;
- Encourage smart growth and related strategies;
- Achieve long-term sequestration and storage of carbon and promote best management practices to achieve climate mitigation, adaption and resilience on natural working lands;
- Achieve net zero emissions by 2050 across all sectors;
- Reduce energy burdens for rural and marginalized communities;
- Limit the use of chemicals, substances or products that contribute to climate change; and
- Build and encourage climate adaption and resilience of Vermont communities and natural systems.

In addition, the Plan shall identify the means to accurately measure (i) the State's greenhouse gas emissions and progress towards meeting those reduction requirements, (ii) the effectiveness of the initiatives and measures put in place by the Plan, (iii) the effect of climate change on the State's climate, wildlife and natural resources and (iv) the existing resilience of the State's communities, infrastructure and economy and progress towards improving resilience to adapt to the current and anticipated effects of climate change.

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GOVERNMENTAL FUNDS OPERATIONS

The following table sets forth the total revenues, expenditures and changes in total fund balances for all governmental fund types of the State for fiscal year 2016 through fiscal year 2020 presented on a GAAP basis.

STATE OF VERMONT
All Governmental Fund Types
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
(modified accrual basis of accounting)
($ in thousands)

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
REVENUES:					
Taxes	$ 3,066,310	$ 3,074,928	$ 3,232,052	$ 3,382,075	$ 3,353,706
Fees	107,629	156,007	142,462	162,247	150,451
Sales of services, rents and leases	17,972	17,367	22,631	20,243	18,260
Federal grants	2,021,636	1,991,665	1,996,808	2,006,409	2,273,261
Fines, forfeits and penalties	18,299	13,627	15,003	21,523	22,222
Investment income	2,705	6,097	9,151	15,035	12,564
Licenses	119,918	130,704	131,693	132,480	132,805
Special assessments	81,789	89,333	89,511	27,801	28,887
Other revenues	117,929	109,931	151,135	100,701	99,610
Total revenues	**5,554,187**	**5,589,659**	**5,790,446**	**5,868,514**	**6,091,766**
EXPENDITURES:					
General government	112,244	107,375	105,995	135,736	116,546
Protection to persons and property	334,029	373,552	385,757	314,506	360,312
Human services	2,424,808	2,467,049	2,419,697	2,495,910	2,645,660
Employment and training	29,559	32,856	29,922	32,913	46,285
General education	1,865,637	1,915,800	1,986,177	2,071,627	2,152,797
Natural resources	102,494	103,885	116,252	131,654	140,545
Commerce and community development	47,362	40,441	35,740	33,934	31,927
Transportation	539,590	538,693	568,456	534,343	565,414
Capital outlay	85,121	38,817	66,771	83,947	58,938
Debt service	73,283	76,992	73,160	78,097	80,496
Total expenditures	**5,614,127**	**5,695,460**	**5,787,927**	**5,912,667**	**6,198,920**
Excess of revenues over (under) expenditures	**(59,940)**	**(105,801)**	**2,519**	**(44,153)**	**(107,154)**
Other financing sources (uses):					
Bonds and refunding bonds proceeds	115,580	0	106,095	0	127,780
Transfers from Lottery	26,415	25,502	27,154	29,179	27,523
Net operating transfers in (out)	2,568	1,440	(1,882)	1,238	18,024
Other sources (uses)	(16,167)	0	10,937	0	(27,461)
Total other financing sources (uses)	**128,396**	**26,942**	**142,304**	**30,417**	**145,866**
Net change in fund balances	**68,456**	**(78,859)**	**144,823**	**(13,736)**	**38,712**
Fund Balance, July 1, restated[1]	937,364	1,005,820	926,961	1,070,238	1,056,502
Fund Balance, June 30	**$ 1,005,820**	**$ 926,961**	**$ 1,071,784**	**$ 1,056,502**	**$ 1,095,214**

[1] The July 1, 2015 fund balances was restated for a change related to a government combinations. (2016 Comprehensive Annual Financial Report, Note V.F), The July 1, 2018 fund balances was restated for a change in a fund reporting category. (2019 Comprehensive Annual Financial Report, Note V.G)

STATE INDEBTEDNESS

State Indebtedness and Procedure for Authorization

The State has no constitutional or other limit on its power to issue obligations or incur indebtedness besides borrowing only for public purposes. In 1989, the Institutions Committees of the House and Senate recommended the creation of a Capital Debt Affordability Advisory Committee responsible for overseeing long-term capital planning for the State. The Committee was created by the 1990 General Assembly. See "Capital Debt Affordability Advisory Committee" herein. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, or in the months of May or June preceding such fiscal year, or in subsequent fiscal years.

The State Constitution does not contain provisions requiring submission of the question of incurring indebtedness to a public referendum. The authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and the manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The State's public improvement bonds and the State's transportation and highway bonds are paid respectively from the State's General Fund and Transportation Fund.

Pursuant to various appropriation acts, the State has authorized and issued general obligation bonds for a variety of projects or purposes. Each appropriation act usually specifies projects or purposes and the amount of General Fund or Transportation Fund bonds to be issued, and provides that General Fund or Transportation Fund bonds shall be issued in accordance with the Debts and Claims provisions of the General Obligation Bond Law.

Pursuant to the Refunding Bond Act, the State has authorized the issuance of general obligation bonds to refund all or any portion of one or more issues of outstanding general obligation bonds. Most provisions of the General Obligation Bond Law apply to the issuance of such refunding bonds.

In general, the State has borrowed money by issuing general obligation bonds, commercial paper and notes for the payment of which the full faith and credit of the State are pledged. The State has also borrowed money to finance qualifying transportation capital projects by issuing transportation infrastructure bonds, the payment of which is not secured by the full faith and credit of the State. See "Transportation Infrastructure Bonds" hereinafter. The State also has established certain statewide authorities that have the power to issue revenue bonds and to incur, under certain circumstances, indebtedness for which the State has contingent or limited liability. See "Contingent Liabilities" and "Reserve Fund Commitments" hereinafter.

There are no State constitutional provisions limiting the power of the General Assembly to impose any taxes on property or income in order to pay debt service on general obligation indebtedness. There are also no constitutional provisions limiting the power of the General Assembly to enact liens on or pledges of State revenues or taxes, or the establishment of priorities, for payment of such debt service. There are no express statutory provisions establishing any priorities in favor of holders of general obligation indebtedness over other valid claims against the State.

The General Assembly has established by statute various general requirements for the issuance of general obligation notes or bonds. The State Treasurer, with notification to the Governor, may issue notes or other similar obligations including commercial paper in order to raise funds to pay the expenses of government for which appropriations have been made but for which anticipated revenues have not been received, to defray accumulated State deficits, and in anticipation of bonds. The State Treasurer, with the approval of the Governor, is authorized to issue and sell bonds that mature not later than twenty years after the date of such bonds and, except for zero coupon bonds or capital appreciation bonds, such bonds must be payable in substantially equal or diminishing amounts annually. Under the General Obligation Bond Law, except with respect to refunding bonds, the first of such annual payments is to be made not later than five years after the date of the bonds. All terms of the bonds shall be determined by the State Treasurer with the approval of the Governor as he or she may deem for the best interests of the State.

In 2001, the General Assembly added statutory provisions that require any entity that pays a majority of its operating expense in any fiscal year with money appropriated by the State to notify and obtain the approval of the State Treasurer and Governor prior to incurring any debt including, but not limited to, debt incurred through the issuance of bonds, notes, bank loans, mortgages, lease-purchase contracts and capital leases. In 2002, the General Assembly amended this provision to exclude municipalities from the approval requirement, to establish a borrowing threshold of $1 million before approval is required and to clarify that the amounts deemed appropriated do not include non-discretionary federal funds.

The State Treasurer is directed by the General Obligation Bond Law to pay the interest or investment return on and principal or maturity value of bonds when due “without further order or authority” and to pay the interest on and principal of notes, and expenses of preparing, issuing and marketing of such notes when due “without further order or authority.” To the extent not otherwise provided, the amount necessary each year to pay the maturing principal or maturity value of and interest or investment return on bonds is required by statute to be included in and made a part of the annual appropriation bill for the expense of State government, and such principal or maturity value of and interest or investment return on bonds as may come due before appropriations for the payment thereof have been made is to be paid from the General Fund or from the Transportation Fund.

The doctrine of sovereign immunity (the sovereign right of a state not to be sued without its consent) applies to the State. The provisions of the General Obligation Bond Law above recited do not constitute express consent by the State to be sued by a bondholder or a noteholder, although such consent might be so construed by force of necessary implication. The provision referred to above contained in the General Obligation Bond Law appears, however, to impose a legal duty on the State Treasurer to pay principal of and interest on the Bonds and on other bonds and notes when due, either from the General Fund or from the Transportation Fund or from amounts appropriated therefor by the General Assembly.

Under the General Obligation Bond Law, the State Treasurer has an explicit statutory duty to pay principal or maturity value of and interest or investment return on the Bonds and to seek appropriations therefore if amounts in the General Fund or Transportation Fund are insufficient. In the event of failure by the State to make such payment when due, it would appear that a Bondholder may sue the State Treasurer to compel such payment from any moneys available. Under this principle, sovereign immunity would not bar a suit to compel the disbursement of State moneys when a State law imposes a duty to pay.

The State has never defaulted on the punctual payment of principal of or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

Debt Statement

The following table sets forth, as of June 30, 2020, the outstanding general obligation indebtedness of the State, Contingent Liabilities and Reserve Fund Commitments of the State.

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State of Vermont
Debt Statement
as of June 30, 2020
($ in thousands)

General Obligation Bonds	
General Fund (1)	$610,182
Transportation Fund	2,813
VHFA Property Transfer Tax Bonds:	
Property Transfer Tax Bonds, Series 2018	$33,010
Capital Leases:	
27 Federal Street, St. Albans	$9,157
Transportation Infrastructure Bonds (2):	
Special Obligation Transportation Infrastructure Bonds (TIBs)	$23,440
Reserve Fund Commitments (3):	
Vermont Municipal Bond Bank	$604,030
Vermont Housing Finance Agency	155,000
VEDA Indebtedness	181,000
Vermont Student Assistance Corporation	50,000
Vermont Telecommunications Authority (4)	40,000
Univ. of Vermont/State Colleges	100,000
Gross Direct and Contingent Debt	**$1,808,632**
Less:	
Reserve Fund Commitments	(1,130,030)
Net Tax-Supported Debt	**$678,602**

[1] Includes the Series B Refunded Bonds and the Series C Refunded Bonds.

[2] The State began recognizing their outstanding TIB's as net tax-supported debt commencing with the publication of the 2020 CDAAC Report.

[3] Figures reflect the maximum amount permitted by statute. However, many of the issuers have not issued debt or have not issued the maximum amount of debt permitted by their respective statutes. See "Contingent Liabilities" and "Reserve Fund Commitments" herein for additional information.

[4] The General Assembly dissolved the VTA in 2014 however, this amount remains available to the VTA by statute should it ever be reconstituted.

Selected Debt Statistics[1]

	2016	2017	2018	2019	2020
Outstanding General Fund, Transportation Fund and Special Fund General Obligation Bonds ($ in thousands) [2]	$627,035	$577,060	$635,810	$584,050	$612,995
Population [3]	623,657	624,344	624,358	623,989	624,648
Debt Per Capita	$1,005	$924	$1,018	$936	$981
Personal Income ($ in millions by fiscal year) [4]	$31,215	$31,777	$32,847	$34,046	$35,834
Debt as a Percent of Personal Income	2.0%	1.8%	1.9%	1.7%	1.7%
General Fund, Transportation Fund and Special Fund Debt Service ($ in thousands) [2,5]	$70,778	$74,490	$70,657	$75,593	$77,064
General Fund, Transportation Fund and Special Fund Cash Revenues ($ in thousands) [6]	$1,677,031	$1,728,356	$1,837,842	$1,930,525	$1,976,787
Total Debt Service as a Percent of Total General Fund Transportation Fund and Special Fund Revenues[7]	4.2%	4.3%	3.8%	3.9%	3.9%

Percentage Of Debt To Be Retired (as of June 30, 2019)	Special Fund[7]	General Fund	Transportation Fund	Total General Obligation Debt
5 years	100.0%	40.3%	59.8%	40.4%
10 years	100.0	73.5	100.0	73.6
15 years	100.0	94.2	100.0	94.2
20 years	100.0	100.0	100.0	100.0

Sources: Annual Report of the Commissioner of Finance; U.S. Department of Commerce, Bureau of Economic Analysis; Office of the State Treasurer; and other sources as noted below.

[1] General obligation bond principal debt only, excludes notes, lease/purchase obligations, as well as contingent liabilities and reserve fund commitments, on a budgetary basis. Statistics reflect certain revised and estimated data for 2016 through 2020.
[2] Excludes general obligation bonds that have been refunded.
[3] Reflects the Legislative Joint Fiscal Office-Administration consensus estimate and forecast of the State’s residential population as of the end of the second quarter of the calendar year indicated.
[4] Personal income is on a fiscal year basis and is projected for fiscal year 2020 using the August 2020 administration-legislative consensus economic forecast prepared in connection with the Consensus Revenue Forecast as of January 2021. Fiscal year 2016 through and 2019 personal income data are subject to further revision.
[5] Includes gross debt service on the State’s outstanding Build America Bonds, a portion of which debt service is payable from Federal ARRA receipts.
[6] Includes Special Fund Revenues and Federal ARRA receipts dedicated to debt service payments.
[7] See “Debt Service Requirements” herein for a description of Special Fund bonds.

Capital Debt Affordability Advisory Committee

The Capital Debt Affordability Advisory Committee was created by the 1990 Vermont General Assembly to estimate annually the maximum amount of new long-term general obligation debt that prudently may be authorized by the State for the next fiscal year. The Committee's estimate is required by law to be based on a number of considerations, historic and projected, including debt service requirements, debt service as a percent of total General and Transportation Fund revenues, outstanding debt as a percent of personal income, and per capita debt ratios. The Committee is comprised of seven members, four of whom are ex-officio State officials, two of whom are appointed by the Governor from the private sector for a two-year term, and one of whom is appointed by the Treasurer from the private sector for a six-year term; in addition, the legislative economist or other designee of the JFO is a nonvoting ex-officio member. The Committee was directed by law to issue a report by September 30 of each calendar year. The amount of general obligation debt authorized by the Vermont General Assembly in recent years has never exceeded the Committee's recommended levels.

While historically the Committee's report provided a recommendation for the amount of new long-term general obligation debt that may be authorized by the State for the following fiscal year, starting with fiscal year 2012, the Committee now submits a two-year debt authorization to the General Assembly. The two-year authorization was developed in an effort to more closely align with the State's biennial legislative session, and was driven by near-term considerations such as (i) historically low interest rates and (ii) the need to get certain large-scale capital projects underway, as well as long-term considerations such as the desire for (a) increased coordination between construction and the debt authorization process and (b) the ability to pursue large-scale projects on a multi-year debt authorization basis.

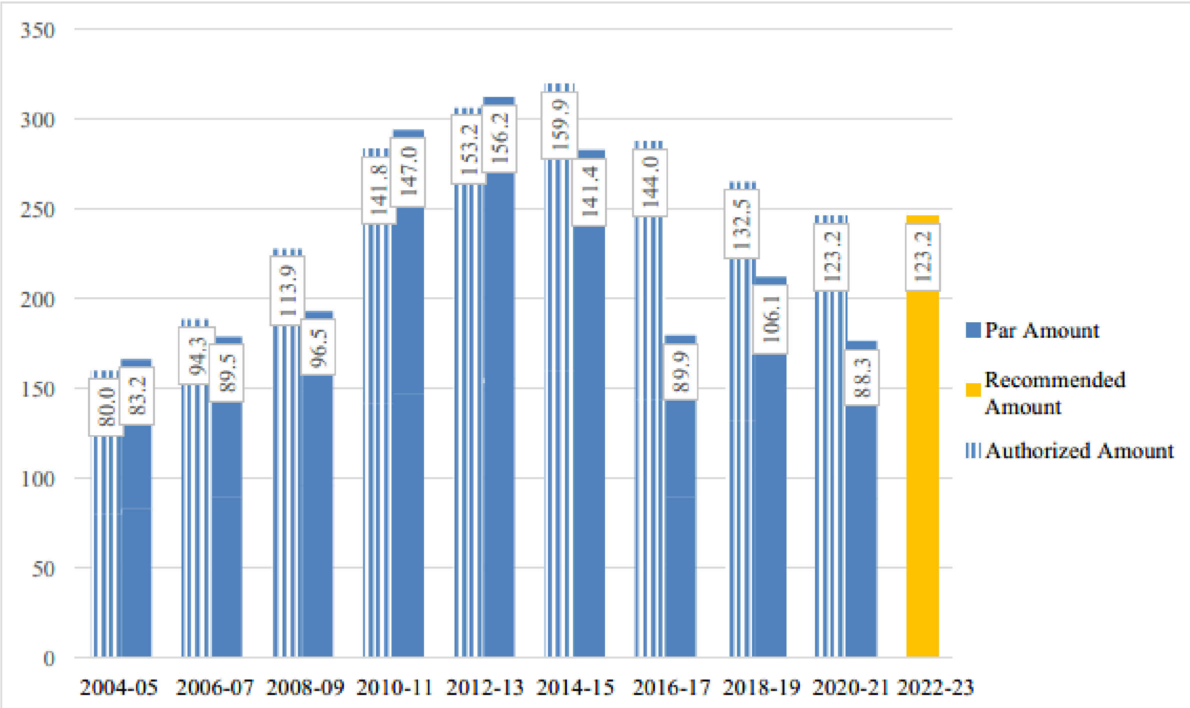
At its September 2018 meeting, the Committee recommended a two-year debt authorization of $123.18 million of general obligation bonds for fiscal years 2020 and 2021. Consistent with the Committee's recommendation, the General Assembly authorized the two-year debt authorization of $123.18 million, plus $1.38 million in transfers and reallocations from prior years, for total authority of $124.56 million for the purposes of funding appropriations for fiscal years 2020 and 2021 (consisting of not more than $62.49 million in fiscal year 2020 and the remaining $62.07 million in fiscal year 2021). The Committee affirmed their recommendation in September 2019.

In fiscal year 2020, $88.26 million of new money debt was issued, producing $99.74 million in proceeds available for capital projects within the State. The bonds issued in August 2019 were issued at a premium in the amount of $11.48 million. Accordingly, pursuant to the 2020 Capital Bill Adjustment Act (Act 139 of 2020), the General Assembly increased the total authorization for fiscal years 2020 and 2021, to $144.25 million, which authorized amount reflects (i) the balance of the previous biennium authorization amount to $109.17 million plus (ii) the $123.18 million two-year debt authorization of the Committee less (iii) the amount funded with proceeds from the August 2019 issuance in the amount of $99.74 million plus (iv) $11.63 million, representing the bonds that were authorized under the prior biennial capital bill but not issued due to the use of original issue bond premium to fund capital projects. In total, $144.25 million remains available for issuance in fiscal year 2021 and subsequent fiscal years

At its October 2020 meeting, the Committee recommended a two-year debt authorization of $123.18 million of general obligation bonds for fiscal years 2022 and 2023, reflecting no change from the previous biennium recommendation of $123.18 million. The General Assembly has not yet taken action with respect to the Committee's fiscal year 2022-2023 biennium recommendation.

The following chart presents the amounts of general obligation debt that has been authorized and issued by the State since fiscal year 2004 on a biennium basis, as well as the recommended authorization amount for fiscal years 2022 and 2023.

Historical General Obligation Bonds Authorized and Issued by Biennium
(in millions of dollars)



Notes:

- *Annual issuances do not include refunding bonds. Authorized but unissued debt has been carried forward and employed in subsequent years' bond issuances.*
- *Pursuant to Section 34 of Act 104 of 2011, commencing in fiscal year 2013, premium received from the sale of bonds may be applied towards the purposes for which such bonds were authorized. The amount issued reflected above, however, does not include net premium received that was or is expected to be made available for capital purposes.*
- *The "Authorized" amounts reflects the two-year authorized amount of the General Assembly. This amount excludes any amounts authorized that relate to (i) the principal amount of bonds authorized in prior biennial capital bills but not issued due to the use of original issue bond premium to fund capital projects and (ii) transfers and reallocations from prior years.*
- *The "Recommended" amount reflects the recommended two-year authorization amount of the Committee.*

Debt Service Requirements

Set forth below is a schedule of the principal and interest requirements of all general obligation bonds of the State outstanding on June 30, 2020, exclusive of bonds that were refunded in advance of their scheduled maturities. This schedule does not reflect the issuance of the Bonds.

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STATE OF VERMONT
Debt Service on General Obligation Bonds
as of June 30, 2020

GENERAL FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2021	$53,677,180	$22,656,553	$76,333,733	$556,504,360
2022	50,807,180	20,609,208	71,416,388	505,697,180
2023	48,952,180	18,635,222	67,587,402	456,745,000
2024	46,600,000	16,688,101	63,288,101	410,145,000
2025	46,555,000	14,767,105	61,322,105	363,590,000
2026	44,550,000	12,880,106	57,430,106	319,040,000
2027	42,620,000	11,105,731	53,725,731	276,420,000
2028	40,320,000	9,458,213	49,778,213	236,100,000
2029	38,190,000	7,932,163	46,122,163	197,910,000
2030	36,045,000	6,509,600	42,554,600	161,865,000
2031	32,825,000	5,154,769	37,979,769	129,040,000
2032	25,925,000	4,074,394	29,999,394	103,115,000
2033	25,925,000	3,124,369	29,049,369	77,190,000
2034	21,270,000	2,271,206	23,541,206	55,920,000
2035	17,880,000	1,565,975	19,445,975	38,040,000
2036	14,205,000	1,037,391	15,242,391	23,835,000
2037	9,715,000	669,906	10,384,906	14,120,000
2038	9,710,000	359,100	10,069,100	4,410,000
2039	4,410,000	132,300	4,542,300	-

TRANSPORTATION FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2021	$417,820	$123,098	$540,918	$2,395,640
2022	417,820	103,786	521,606	1,977,820
2023	417,820	84,315	502,135	1,560,000
2024	260,000	67,405	327,405	1,300,000
2025	260,000	56,745	316,745	1,040,000
2026	260,000	45,825	305,825	780,000
2027	260,000	34,775	294,775	520,000
2028	260,000	23,400	283,400	260,000
2029	260,000	11,700	271,700	-

Short-Term Debt

The Treasurer is authorized to borrow on the credit of the State through the issuance of notes and tax-exempt commercial paper (1) to pay expenses of government for which appropriations have been made but for which anticipated revenues have not been received, (2) for the purpose of defraying accumulated State deficits, (3) in anticipation of the receipt of State bond proceeds and (4) for paying costs of issuance of such obligations. In addition, the Treasurer is authorized to enter into credit or liquidity facilities with respect to such obligations.

The State Treasurer may with the approval of the Governor borrow from any fund including restricted funds to defray State Government expenses. Such borrowing may be made twice per year: first from fifteen days preceding to fifteen days following the State's fiscal year end of June 30, and second from December 10 (or earlier if December 10 shall occur on a Friday or Saturday) to January 10 of the subsequent calendar year. Legislation was passed in April 2020 that expanded interfund borrowing to 45 days before and after the fiscal year ended June 30, 2020, but this one-time authorization has since sunset (as of August 15, 2020).

The State has not had any revenue anticipation borrowings outstanding at any date during each of the five most recent fiscal years. Since 1998, the State has met its short-term borrowing needs using revenue anticipation notes only, which notes have been paid in full and on time. The State has not had any draws on its line of credit or short-term borrowings since fiscal year 2004.

Total Authorized Unissued Debt

As of June 30, 2020, the State had $132.6 million of authorized unissued debt from prior year capital bills. Subsequent to the issuance of the Bonds, the State expects to have $62.06 million of authorized unissued debt.

Notwithstanding any provision of law, under Section 954 of Title 32 the State Treasurer with the approval of the Secretary of Administration is authorized to transfer unspent proceeds derived from the sale of State bonds or notes previously issued for additional projects authorized by the General Assembly; and the State Treasurer is further authorized to issue bonds or notes of the State to replenish such transferred funds for application to the original capital projects.

Reserve Fund Commitments

Vermont Municipal Bond Bank: The Vermont Municipal Bond Bank (the "Bond Bank") was established by the State in 1970 for the purpose of aiding governmental units in the financing of their public improvements by making available a voluntary, alternate method of marketing their obligations in addition to the ordinary competitive bidding channels. By using the Bond Bank, small individual issues of governmental units can be combined into one larger issue that would attract more investors. The Bond Bank is authorized to issue bonds in order to make loans to municipalities in the State through the purchase of either general obligation or revenue bonds of the municipalities. Municipal loan repayments to the Bond Bank are used to make the Bond Bank's bond payments. On April 19, 2016, the State amended provisions with respect to the State Treasurer's ability to intercept State funding to governmental units that are in default on their payment obligations acquired or held by the Bond Bank. During the default period, the State Treasurer will make direct payment of all, or as much as is necessary, of the withheld amounts to the Bond Bank, or at the Bond Bank's direction, to the trustee or paying agent for the bonds, so as to cure, or cure insofar as possible, the default as to the bond or the interest on the bond. The Bond Bank consists of five directors: the State Treasurer, who is a director ex-officio, and four directors appointed by the Governor with the advice and consent of the Senate for terms of two years. The Bond Bank issues bonds under two separate and distinct General Resolutions.

As of June 30, 2020, the Bond Bank has issued 72 series of bonds (including refundings) under its general bond resolution adopted on May 3, 1988 (the "1988 Resolution"), to provide loans to local municipal borrowers. The principal amount of bonds outstanding as of June 30, 2020 under this Resolution was $604,030,000 and the principal amount of loans outstanding to municipal borrowers as of June 30, 2020 was $580,545,573. For bonds issued under the 1988 Resolution, the Bond Bank is required to maintain a reserve fund equal to the lesser of: the maximum annual debt service requirement, 125% of average annual debt service, or 10% of the proceeds of any series of bonds. If the reserve funds have less than the required amount, the chair shall notify the Governor or Governor-elect of the deficiency. The General Assembly is legally authorized, but not legally obligated, to appropriate money to maintain the reserve funds at their required levels. Since the participating municipalities have always met their obligations on their bonds the State has never needed to appropriate any money to the reserve fund. Based on the long history of the Bond Bank program, the rating agencies credit assessment of the underlying loans of the portfolio, the general obligation pledge of the underlying borrowers for a high percentage of the loan amounts and the State intercept provision for the payment of debt, it is not anticipated that it will be necessary for the State to appropriate money for the reserve fund in the future.

As of June 30, 2020, the Bond Bank has also issued two series of bonds under a new general bond resolution adopted on March 30, 2017 (the "2017 Resolution") for the Vermont State Colleges System ("VSCS") Program. The 2017 Resolution is for VSCS financings only. As of June 30, 2020, the principal amount of bonds outstanding under the 2017 Resolution was $91,845,000. The 2017 Resolution bonds are not supported by a reserve fund. The State Treasurer, the Bond Bank and the Commissioner of the Vermont Department of Finance and Management entered into a State Intercept Memorandum of Agreement to establish procedures with respect to the intercept of State funds described above in regard to the VSCS outstanding bonds.

For additional information about the Bond Bank, see its most recent disclosure document, which can be found on the Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org.

Vermont Housing Finance Agency: The Vermont Housing Finance Agency ("VHFA") was created by the State in 1974 for the purpose of promoting the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The VHFA Board consists of nine commissioners, including ex-officio the Commissioner of the Department of Financial Regulation, the State Treasurer, the Secretary of Commerce and Community Development, the Executive Director of the Vermont Housing and Conservation Board, or their designees, and five commissioners to be appointed by the Governor with the advice and consent of the Senate for terms of four years. The VHFA is empowered to issue notes and bonds to fulfill its corporate purposes. As of June 30, 2020, the VHFA's total outstanding indebtedness was $496,126,087.

The VHFA's act requires the creation of debt service reserve funds for each issue of bonds or notes based on the VHFA's resolutions and in an amount not to exceed the "maximum debt service." Of the debt that the VHFA may issue, up to $155,000,000 of principal outstanding may be backed by the moral obligation of the State, which means that the General Assembly is legally authorized, but not legally obligated, to appropriate money for any shortfalls in the debt service reserve funds for that debt. If the reserve fund requirement for this debt has less than the required amount, under the act, the chairman of the VHFA will notify the Governor or the Governor-elect, the president of the senate and the speaker of the house of the deficiency. As of June 30, 2020, the principal amount of outstanding debt covered by this moral obligation was $51,301,524. As of June 30, 2020, the debt service reserve fund requirement for this debt was $3,772,461, and the value of the debt service reserve fund was $4,037,389. Since the VHFA's creation, it has not been necessary for the State to appropriate money to maintain this debt service reserve fund requirement. For additional information about the VHFA, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

In January 2018, the VHFA issued $37,825,000 of federally taxable Vermont Property Transfer Tax Revenue Bonds, the proceeds of which will be used to fund the creation and improvement of rental and owner-occupied housing for low to moderate income residents. These bonds are special, limited obligation bonds of the VHFA, secured by a pledge of property transfer tax revenues collected by the State. The first $2,500,000 of property transfer tax revenues collected annually are required to be transferred to the VHFA for payment of principal and interest on the bonds until they are retired.

Vermont Economic Development Authority: The Vermont Economic Development Authority ("VEDA" or the "Authority") was established in 1974 as a body corporate and politic and a public instrumentality of the State. The Authority is governed by a 15-member board comprised of the State Treasurer, the Secretary of the Agency of Commerce and Community Development, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks and Recreation, the Commissioner of Public Service and ten persons appointed by the Governor with the advice and consent of the Senate.

The Authority has established credit facilities with two banks to fund loans to local and regional development corporations and to businesses under certain programs. The Authority's debt is a combination of commercial paper and variable and fixed-rate notes payable. The commercial paper is supported by two direct-pay letters of credit totaling $95 million from one of the banks. The direct-pay letters of credit are collateralized from various repayment sources, including a $15 million collateral reserve fund held by a trustee and a debt service reserve fund pledge from the State in an amount of $80 million. The Authority has two variable-rate and two fixed-rate notes payable from a second bank totaling $117 million. The notes are collateralized from various repayment sources, including a $9.7 million collateral reserve fund held by a trustee and a debt service reserve fund pledge from the State in an amount of $75 million. The debt service reserve pledges, totaling $155 million are based on a similar structure utilized by both the Vermont Municipal Bond Bank and the Vermont Housing Finance Agency as discussed above. The amount of commercial paper outstanding under this program at June 30, 2020 was $91.0 million, which is part of the variable and fixed-rate note payable balances outstanding at June 30, 2020 of $99 million. Act No. 79, enacted in June 2019, increased the Authority's debt capacity from $175 million to $181 million, effective July 1, 2019. For additional information about the Authority, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

University of Vermont/ VSCS: Pursuant to Act 200 of 2008, the University of Vermont and State Agricultural College ("UVM") and the Vermont State College System (VSCS) are each permitted to create and establish, by resolution, one or more debt service reserve funds to secure in whole or in part one or more issues of bonds or notes. The debt service reserve fund requirement shall be an amount not to exceed the "maximum debt service" on the bonds or notes to be secured by such debt service reserve fund. Up to $66,000,000 principal amount of UVM debt and up to $34,000,000 principal amount of VSCS debt may be backed by the moral obligation of the State, which means that the General Assembly is legally authorized but not legally obligated to appropriate money for any shortfalls in the debt service reserve funds for this debt. For each institution, if the reserve fund requirement for this debt has less than the required amount, the chair of the board of trustees will notify the governor, the president of the senate, and the speaker of the house of the deficiency. No bonds have been issued to date. If bonds are issued, it is not expected that the State will need to appropriate money to the respective reserve funds for these purposes. For additional information about UVM and VSCS, see their most recent disclosure documents, which can be found on the EMMA system at http://emma.msrb.org.

VSAC: VSAC was created by the State in 1965 for the purpose of providing opportunities for Vermont residents to attend college or other postsecondary education institutions by awarding grants; guaranteeing, making, financing and servicing loans of funds to students who qualify; and to provide career, educational and financial aid counseling and information services to the same. With the approval of the governor, VSAC is empowered to borrow money and issue notes and bonds to fulfill its corporate purposes. As of June 30, 2020, VSAC's total outstanding indebtedness was $586,470,694, of which $50 million is secured by a debt service reserve fund pledge that is permitted under the legislation enacted into law as 16 V.S.A. § 2867 on March 31, 2009 (the "VSAC Moral Obligation Statute"), described below.

Under the VSAC Moral Obligation Statute, VSAC is permitted to create and establish, by resolution, (i) one or more debt service reserve funds to secure in whole or in part one or more issues of bonds or notes, and/or (ii) one or more pledged equity funds to provide pledged equity or over-collateralization of any trust estate of VSAC to the issuer of a liquidity or credit facility, bond insurance or other credit enhancement obtained by VSAC. In the case of a debt service reserve fund, funding shall be in an amount determined by the corporation to be reasonably required in light of the facts and circumstances of the particular debt issue, which amount must be established by resolution of the corporation prior to the issuance of such bonds or notes. In the case of a pledged equity fund, funding shall be in an amount determined by the corporation to be reasonably required in light of the facts and circumstances of the particular credit enhancement, which amount must be established by resolution of the corporation prior to entering into any credit enhancement agreement related to such pledged equity fund. Both uses of the VSAC Moral Obligation Statute require the consent of the Treasurer of the State.

The VSAC Moral Obligation Statute establishes a combined debt service reserve fund and equity fund pledge from the State in an amount not to exceed $50 million. The debt service reserve fund pledge is based on a similar structure utilized by the Vermont Municipal Bond Bank, the Vermont Housing Finance Agency and the University of Vermont/Vermont State Colleges, as discussed above, and is limited to $50 million of VSAC bonds, adjusted downward for any amount used for pledged equity funds. The pledged equity fund amount is limited to $50 million of equity commitment, adjusted downward for any bonds issued with the debt service reserve fund pledge described in the preceding sentence. For additional information about VSAC, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

Transportation Infrastructure Bonds

In 2009, the General Assembly enacted 19 V.S.A. §11f (the "TIB Act"), which provided for the establishment of the Transportation Infrastructure Bond Fund (the "TIB Fund"). Under the TIB Act, the State Treasurer is authorized to issue transportation infrastructure bonds ("TIBs") from time to time in amounts authorized by the General Assembly in its annual transportation bill. The TIB Act provides that the TIB Fund shall be credited with certain funds raised from motor fuel (gas and diesel) assessments levied on distributors. Principal and interest on the TIBs and associated costs will be paid from the TIB Fund (i.e., not supported from current transportation fund or general fund revenues). The State is permitted to add its general obligation to secure the repayment of the TIBs if necessary to market the TIBs in the best interest of the State, but to date has not done so. After payment of the related bond costs, any remaining money in the TIB Fund may be used to fund qualifying transportation capital projects. As of June 30, 2020, the State's outstanding TIBs are as follows:

Date of Issuance	Series	Original Par Amount	Outstanding Par Amount as of June 30, 2020
August 3, 2010	2010A	$14,400,000	$8,200,000
August 9, 2012	2012A	10,820,000	7,060,000
August 8, 2013	2013A	11,165,000	8,180,000

The outstanding TIBs are <u>not</u> general obligations of the State and are <u>not</u> secured by the full faith and credit of the State. The State is evaluating a possible refunding of all or some portion of the outstanding TIBs, but has made no decisions yet regarding timing or the amount of any refunding.

PENSION PLANS

Defined Benefit Retirement Plans

Overview

The State maintains three defined benefit pension plans, the Vermont State Teachers' Retirement System ("STRS"), the Vermont State Employees' Retirement System ("VSRS"), which includes general State employees and State Police, and the Vermont Municipal Employees' Retirement System ("VMERS"). Each retirement system is serviced by an independent actuarial firm. Approximate membership of each system as of June 30, 2020 was as follows:

	Active	Inactive	Terminated, Vested	Retired and Beneficiaries
STRS	9,996	2,710	887	9,843
VSRS	8,539	1,482	768	7,424
VMERS	7,987	2,941	927	3,693

The State appropriates funding for pension costs associated with its two major retirement plans, VSRS and STRS, covering substantially all State employees and teachers, respectively. The State's contributions to each system are based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are fixed on the basis of the liabilities of the systems as shown by actuarial valuations. Both the VSRS and STRS unfunded liabilities are currently amortized over a 30-year period beginning in 2008 and ending in 2038. See "Actuarial Valuation" below.

The STRS appropriations to the pension fund are made from the Education Fund (for the normal contribution) and from the General Fund. These appropriations are reduced on a pro rata basis for contribution from Local Education Agencies for teachers who are funded by Federal grants. In the case of VSRS, the various State cost centers/funds are assessed an employer contribution based on the payroll associated with the cost center/fund.

VSRS funding requirements are then calculated as a percentage of the State payroll and are remitted to the pension fund as an employer contribution with each bi-weekly payroll. As actual payroll for the year may vary from estimated totals and from pay period to pay period, a reconciliation is completed by the State each year, and an adjustment to the subsequent appropriation calculation is made to assure that all funds required to meet the projected ADEC (as defined below) are remitted to the pension fund.

The State's other statutory pension plan, VMERS, was established effective July 1, 1975. Effective July 1, 1987, and thereafter, all payments to the VMERS' pension accumulation fund are supported entirely by employer (municipal) and employee contributions; the State is not required to make any contributions to VMERS. Employers make periodic payments that are reconciled quarterly into the pension accumulation funds, which payments are percentages of annual earnable compensation of each membership group and consist of a "normal" and "unfunded accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

The following tables set forth the total market value of net assets, amount of employee and employer contributions, net investment income or loss, and disbursements including benefit payments, refunds on death and refunds plus interest on withdrawals, for the defined benefit plans for STRS, VSRS and VMERS for fiscal year 2011 through fiscal year 2020, inclusive.

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Vermont State Teachers' Retirement System (STRS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)[2]	Disbursements
2020	$1,951,489,882	$40,598,283	$126,941,582	$83,105,319	$204,052,125
2019	1,904,488,564	39,075,342	119,174,913	109,429,146	195,911,487
2018	1,832,372,554	37,888,566	114,598,921	125,566,281	184,707,288
2017	1,738,557,574	36,142,411	82,887,174	173,166,614	174,779,900
2016	1,620,899,749	35,408,763	73,225,064	19,877,270	164,915,262
2015	1,653,116,441	34,863,531	72,908,805	(7,566,697)	153,284,690
2014	1,705,364,605	32,558,584	71,869,736	212,338,195	166,962,651
2013	1,554,351,563	32,343,368	63,646,240	120,403,031	155,394,010
2012	1,491,619,901	31,827,995	51,731,875	24,726,665	141,938,812
2011	1,520,766,932	32,062,253	47,134,361	261,886,311	128,907,920

Vermont State Employees' Retirement System (VSRS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)[2]	Disbursements
2020[3]	$1,959,066,640	$40,902,188	$123,029,549	$78,964,510	$191,063,477
2019[3]	1,909,469,823	40,818,039	130,367,697	106,777,462	181,885,027
2018[3]	1,841,500,283	40,423,239	97,521,221	123,632,169	170,514,813
2017[3]	1,748,442,294	35,966,987	93,229,177	170,358,016	161,945,123
2016[3]	1,609,650,152	34,055,217	89,869,751	17,962,425	153,438,223
2015[3]	1,624,861,239	33,296,248	84,909,380	(8,484,694)	141,860,471
2014[3]	1,657,245,868	31,745,692	80,755,129	203,721,748	128,136,805
2013[3]	1,470,492,327	29,847,352	75,259,094	110,715,697	124,456,335
2012[3]	1,378,489,496	27,708,009	66,167,903	23,604,774	119,974,280
2011[3]	1,380,606,734	22,269,041	62,535,626	238,386,383	113,087,703

[1] Source: Annual Actuarial Valuation Report and Comprehensive Annual Financial Reports.

[2] Net Investment Income is presented in accordance with GASB Statement No. 25. GASB Statement No. 25 has been amended by GASB 67 (as defined below) (see "PENSION PLANS – Recent Changes to Pension Obligation Reporting"). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years.

[3] Historically, health care contributions and pay-as-you-go payments for VSRS and STRS were included in the pension funds, subordinate to pension benefits, in a sub-trust. Commencing in 2009, such health care contributions and payments for VSRS were paid out of a separate trust. Such contributions and payments are included in the above total for comparative purposes. Net Investment Income does not include investment income associated with the separate trust. Interest earnings on the separate trust, which includes the health care contributions and pay-as-you-go payments previously described, as well as OPEB prefunded amounts, were $802,020 in fiscal year 2011, $375,423 in fiscal year 2012, $667,196 in fiscal year 2013, $1,485,472 in fiscal year 2014, $331,945 in fiscal year 2015, $494,668 in fiscal year 2016, $1,372,446 in fiscal year 2017, $872,659 in fiscal year 2018, $1,554,329 in fiscal year 2019, and $3,029,909 in fiscal year 2020.

Vermont Municipal Employees' Retirement System (VMERS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)[2]	Disbursements
2020	$740,052,894	$20,771,304	$20,680,856	$29,113,786	$40,438,544
2019	709,465,832	19,777,955	19,202,981	38,740,357	36,555,111
2018	667,848,904	19,166,537	17,519,690	43,889,050	32,508,497
2017	619,510,340	25,210,413	16,481,881	59,486,928	28,833,551
2016	547,015,113	15,226,948	15,235,742	6,776,933	26,479,686
2015	535,903,742	13,587,975	14,136,067	(2,358,518)	24,371,268
2014	534,525,477	13,233,728	12,805,737	64,346,116	21,189,402
2013	463,186,430	15,060,665	12,014,186	34,838,507	19,437,379
2012	420,540,070	11,337,926	11,532,230	7,671,464	17,021,297
2011	406,901,556	11,702,728	11,117,363	66,957,781	15,031,192

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1 Source: Annual Actuarial Valuation Reports and Comprehensive Annual Financial Reports.

2 Net Investment Income is presented in accordance with GASB Statement No. 25. GASB Statement No. 25 has been amended by GASB 67 (see "PENSION PLANS – Recent Changes to Pension Obligation Reporting" herein). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years.

Actuarial Valuation

Overview. Under State law, an approved actuary is required to make a valuation of each system's assets and liabilities annually. These reports (the "Funding Valuation Reports"), which are delivered in draft form and approved by the respective system boards in late October of each year and posted with any board-approved revisions in early November, contain an actuarial valuation of the system as of the end of the most recent fiscal year, as well as recommendations for the actuarially determined employer contribution ("ADEC") (formerly referred to as an actuarially recommended contribution ("ARC")) for the current fiscal year and the next two fiscal years. The Funding Valuation Reports also include, for each system, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions, a summary of member data, the current amortization schedule for the unfunded actuarial accrued liability ("UAAL") and projected benefit payouts and contributions over the next ten years. The Funding Valuation Reports for the fiscal year ending June 30, 2020 (the "2020 Funding Valuation Reports"), which are the most recently completed and board approved final actuarial reports, are incorporated herein by reference and are available at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2020/Vermont%20State%20Employees%20Retirement%20System_Actuarial%20Valuation%20June%2030%202020.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2020/Vermont%20State%20Teachers%20Retirement%20System_Actuarial%20Valuation%20June%2030%202020.pdf

An actuarial valuation for funding purposes calculates the actuarial accrued liability in each of the systems, which represents the present value of benefits the system will pay to its retired members and active members upon retirement based on certain demographic and economic assumptions. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the UAAL of the system. The actuarial valuation will express the percentage that a system is funded through a "funded ratio," which represents the actuarial value of assets of the system divided by the actuarial accrued liability of such system. The actuarial valuation will also state an ADEC, which is a recommended amount that the State and other sponsoring employers contribute to the applicable system. The ADEC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL. Both the VSRS and STRS system unfunded liabilities are currently amortized over a 30-year period, beginning in 2008 and ending in 2038.

The Funding Valuation Reports are prepared according to statute for the purpose of funding the respective systems. Recently, GASB implemented new standards for accounting for pensions. For more information, see "PENSION PLANS – Recent Changes to Pension Obligation Reporting" below. These new standards are for accounting purposes only and do not affect the State's funding decisions.

Description of Certain Actuarial Assumptions. To calculate the actuarial value of assets and actuarial accrued liability of each system, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a system differs from these assumptions, the UAAL of such system may increase or decrease to the extent of any such variance. With respect to expected rate of return of assets, for example, the actual rate of return for each system depends on the performance of its investment portfolio. The value of the securities in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the system's UAAL. This could have a resulting impact on the ADEC, which may increase the amount of the State's contribution to the system.

For fiscal year 2020, the actuarial rate of return of the assets, which utilized smoothing (defined below), was 6.27% for VSRS and 6.40% for VSTRS (the market rates of returns were 4.30% and 4.55%, respectively). In addition to the above-described assumptions, the actuarial valuations of each system use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the systems. The actuarial methods for both the STRS and the VSRS plans are set by State statute. The actuarial cost method that is used to determine pension liabilities in the State's valuation is known as the Entry Age Normal ("EAN") Cost Method. EAN is defined as the age at the date of employment, or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

An additional actuarial method used in arriving at the actuarial valuation is so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over the previous five years to offset the effects of volatility of market values in any single year. In addition, the State uses a 20% "corridor" in order to prevent the smoothed value to stray too far from market. The use of the 20% corridor means that very large gains and losses (i.e., ones that would produce a smoothed value that is more than 20% higher or lower than the actual market value) will not be presumed to be completely transitory and will be reflected immediately in funding.

The following chart presents, based on the Funding Valuation Reports for each system, the actuarial value of assets, the market value of net assets, the actuarial value of assets as a percent of market value of assets, the investment rate of return based on the actuarial value of assets and the investment rate of return based on market value assets over the past ten years.

	Fiscal Year	Actuarial Value (AV) of Assets	Market Value (MV) of Net Assets	AV as % of MV	Investment Rate of Return (AV)	Investment Rate of Return (MV)[1]
STRS	2020	$2,035,713,611	$1,951,489,882	104.3%	6.4%	4.6%
	2019	1,950,859,980	1,904,488,565	102.4	6.9	6.3
	2018	1,866,120,413	1,832,372,553	101.8	7.0	7.6
	2017	1,779,592,227	1,738,557,573	102.4	7.3	11.2
	2016	1,716,296,235	1,620,899,749	105.9	6.8	1.3
	2015	1,662,345,707	1,653,116,441	100.6	6.5	(0.3)
	2014	1,610,285,523	1,705,364,605	94.4	8.3	14.2
	2013	1,552,924,370	1,554,351,563	99.9	6.7	8.4
	2012	1,517,410,471	1,491,619,901	101.7	6.3	2.2
	2011	1,486,698,448	1,520,766,932	97.8	9.3	20.5
VSRS	2020	$2,054,825,853	$1,959,066,641	104.9%	6.3%	4.3%
	2019	1,964,500,825	1,909,469,823	102.9	6.8	6.1
	2018	1,881,804,847	1,841,500,283	102.2	6.9	7.4
	2017	1,793,794,733	1,748,442,294	102.6	7.3	11.0
	2016	1,707,267,941	1,609,650,152	106.1	6.7	1.0
	2015	1,636,267,663	1,624,861,239	100.7	6.5	(0.6)
	2014	1,566,075,540	1,657,245,868	94.5	8.3	14.5
	2013	1,469,169,902	1,470,492,327	99.9	6.7	8.6
	2012	1,400,779,062	1,378,489,496	101.6	6.3	2.4
	2011	1,348,762,790	1,380,606,734	97.7	9.3	21.2

1 Investment returns based on market value of net assets are gross of fees.
Source: Funding Valuation Reports.

Recent Actuarial Assumption Changes. There has been significant discussion on the national level relative to the appropriate interest rate assumptions used by public pension plans. The Vermont retirement systems, in concert with their investment and actuarial consultants, believe that the interest rate assumptions should be viewed as part of an interrelated set of actuarial assumptions and thus evaluated in a comprehensive, formal experience study rather than in isolation. State law provides that at least once in each five-year period, the State's actuary is to make an investigation into the mortality, service and comprehensive experience of the members and beneficiaries of each system and make recommendations for certain modifications of the actuarial assumptions, as needed. The most recent experience studies for the VSRS and STRS systems were completed by Segal for the period covering July 1, 2014 through June 30, 2019. These reports are incorporated herein by reference and available at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/other-reports/14794%20-%20VSERS%20-%202020%20Experience%20Review_FINAL.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/other-reports/14794%20-%20VSTRS%20-%202020%20Experience%20Review_FINAL.pdf

As a result of the recommendations set forth in each of these experience studies, changes in the actuarial assumptions were made commencing with the funding valuation reports for the period ending June 30, 2020. The major actuarial assumptions were updated based on the results of the 2019 experience studies, including updates to active service demographic assumptions, compensation increase assumptions, post-retirement mortality rates, interest rates and cost-of-living adjustment rates.

At their respective September 2020 Board meetings, the VPIC and the Retirement Boards of VSRS, STRS and VMERS each lowered the assumed rate of return from 7.50% to 7.00%.

Pension and Health Benefits

Overview. Substantially all State employees and teachers participate in one of the two State systems, with five years of employment required before retirement benefits become vested. Retirement benefits are calculated based on a percentage of average final compensation ("AFC"), which is calculated as the average annual compensation during a prescribed period of time based on the particular category of membership an employee falls within. For example, the AFC for Group F employees (the largest VSRS employee group) is calculated as the average annual compensation during the highest three consecutive years. Participants also are offered an early retirement benefit after a prescribed number of years' service, if age requirements for those retirement benefits are met. For a summary of the benefit provisions for each of the VSRS and STRS systems, see the most recent Funding Valuation Reports referenced above.

Legislative Changes Affecting Benefits Levels. The Legislature has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under VSRS and STRS. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the system, which also has the effect of increasing the ADEC for the State for such system. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the system, which also has the effect of limiting the growth of the ADEC for the State for such system in future plan years.

Under legislation enacted in fiscal year 2008, VSRS benefits were modified in three respects for members hired on or after July 1, 2008. First, the maximum benefit payable was increased from 50% to 60% of the AFC. Second, the eligibility condition for an unreduced benefit changed from the attainment of age 62 or 30 years of service to age 65 or a "Rule of 87." The "Rule of 87" refers to the sum of the employee's age and years of service. Third, for members not eligible for an unreduced benefit, the reduction for early retirement changed from a uniform 6% per year to one determined on a service-based schedule. The remaining significant provision of the same legislation makes changes to retiree cost of living adjustments (COLA). The annual COLA applicable to the benefits of Group F members retiring after July 1, 2008 increased from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current Group F members who were actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 were eligible for the enhanced COLA in 2014.

In an effort to partially offset the increased benefits described above, under legislation enacted in fiscal years 2008 and 2011, contribution rates for State employees in the VSRS system were increased. Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, from 3.35% to 5.1%, due to the increases in the cost of living benefit for all Group F employees described above. Subsequently, legislation was enacted in fiscal year 2011, effective July 1, 2011, that again raised the contribution rate for Group F employees, as well as all other State employees. In particular, the rate for Group F employees was increased from 5.10% to 6.40%. These rate increases were due to sunset on June 30, 2016. However, legislation was enacted in fiscal year 2016, effective July 1, 2016, that increased the contribution rate to 6.55% for Group A, D and F members and 8.43% for Group C members. When VSRS has been determined by the actuary to have assets at least equal to its accrued liability, contribution rates will be reevaluated by the actuary with a subsequent recommendation to the General Assembly.

Following negotiations with the Vermont National Education Association ("VNEA"), significant benefit changes and cost reductions to the STRS system were adopted by the Legislature in 2010 (see Act 74 of 2010 and Act 139 of 2010) (the "VNEA Benefits Legislation"). These changes have resulted in annual savings of more than $15 million per year. For STRS employees more than five years from normal retirement eligibility (less than 25 years of service or less than 57 years old), normal retirement will be 65 or "rule of 90" (combination of years of service and age), instead of 62 years old or with 30 years of service at any age. Early retirement will stay at 55, but the benefit reduction will be based on an actuarial calculation rather than a set percentage as previously calculated. In addition, employees more than five years from normal retirement eligibility will be eligible for a maximum benefit of 60% of AFC, instead of the current 50% of AFC, with a higher (2% instead of 1.67%) multiplier upon completion of 20 years of service. The employee contribution rate increased from 3.54% to 5.0% for all employees. The legislation also prohibits extraordinary increases in AFC (limit of 10% per year during AFC determination period) being used to determine retirement benefit levels.

The VNEA Benefits Legislation also creates a tiered medical premium co-payment structure. For new hires and those with less than ten years of service the following premium structure applies: no subsidized coverage for retirees with one to 14 years of service, 60% premium single coverage at 15 years, 70% single premium coverage at 20 years, and 80% premium single or spousal coverage at 25 years of service. For current actives as of July 1, 2010 with more than ten years of service, the current 80% single premium coverage continues with the availability of spousal coverage at the same percentage with retirement with 25 years of service.

In 2014, the Legislature passed Act 179, which included an increase in employee contributions for STRS employees with less than five years' service as of July 1, 2014, from 5% to 6% of earnable compensation.

Funded Status and Funding Progress

The amount that the State actually contributes to each system is subject to the Governor's budget request and annual appropriations by the Legislature. In adopting the budget, the Legislature is not required to follow the recommendations of the actuaries or the Governor in determining the appropriation for the State's contribution to each system. Budgeted appropriations to fund the ADEC for VSRS and STRS are determined based on the Funding Valuation Reports that are completed and delivered for each system in October of the prior fiscal year.

For the VSRS, the fiscal year 2020 ADEC was $78.9 million, based on the Funding Valuation Report for the year ended June 30, 2018. Of this amount, $0.9 million was paid by municipal employers whose employees are statutory members of VSRS, leaving a State portion of $78.0 million. The State also contributed $2.1 million to prepay the Treasurer's estimate of non-healthcare administrative expenses, making the total required State contribution $80.1 million. The fiscal year 2020 contribution to VSRS was $84.4 million, which exceeded the ADEC for VSRS for such year. For fiscal year 2021, the VSRS ADEC was $83.9 million, based on the Funding Valuation Report for the year ended June 30, 2019. Based on an estimate of $1.2 million of contributions by municipal employers whose employees are statutory members of VSRS, the State contribution amount is $82.7 million. The State also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses, which for fiscal year 2021 is $2.1 million, for a total State planned contribution of $84.8 million. The fiscal year 2021 budget fully funded the State's portion of the fiscal year 2021 ADEC for VSRS. The following table presents information regarding the ADEC and the State's contributions to VSRS for the current and last four fiscal years.

VSRS ($ in thousands)					
Fiscal Year	**2016**	**2017**	**2018**	**2019**	**2020**
Actuarially Determined Employer Contribution (ADEC)	$46,238	$48,503	$52,065	$62,984	$78,944
Actual Employer (State) Contribution	$54,347	$60,280	$64,564	$66,618	$84,430
% of ADEC Funded for Fiscal Year	117.5%	124.3%	124.0%	105.8%	106.9%

The 2020 Funding Valuation Report for VSRS sets forth the following projection of contributions for fiscal years 2022 and 2023.[1]

	Projected ADEC (VSRS)		
Fiscal Year	Normal Cost	UAAL	Total
2022	$35,166,362	$84,801,408	$119,967,769
2023	36,397,184	87,345,450	123,742,634

In addition, Section 2 of the 2020 VSRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $65.54 million as of July 1, 2020 (FY2021) to $136.08 million as of June 30, 2037 (FY2038), the currently projected final amortization payment. The amortization schedule has been changed in statute. See "Recent Action Affecting the Amortization of Unfunded Liabilities" below.

For the STRS, the fiscal year 2020 ADEC was $126.2 million, based on the Funding Valuation Report for the year ended June 30, 2018. The fiscal year 2020 contribution to STRS was $126.9 million. The Fiscal Year 2021 ADEC for the STRS is $132.1 million, based on the funding valuation report for the year ended June 30, 2019. The State funded the fiscal year 2021 STRS ADEC in an amount equal to $132.1 million from State base appropriations and contributions from local school systems or educational entities. The following table presents information regarding the ADEC and the State's contributions to STRS for the current and last four fiscal years.

STRS ($ in thousands)					
Fiscal Year	**2016**	**2017**	**2018**	**2019**	**2020**
Actuarially Determined Employer Contribution (ADEC)	$76,103	$82,660	$88,409	$105,641	$126,197
Actual Employer (State) Contribution	$76,948	$82,887	$114,600	$119,175	$126,942
% of ADEC Funded for Fiscal Year	101.1%	100.3%	129.6%	112.8%	100.6%

[1] See Section 2 to the 2020 VSRS report.

The 2020 Funding Valuation Report for STRS sets forth the following projection of contributions for fiscal years 2022 and 2023.[2]

	Projected ADEC (STRS)		
Fiscal Year	Normal Cost	UAAL	Total
2022	$38,901,533	$157,304,971	$196,206,504
2023	40,068,579	162,024,120	202,092,699

In addition, Section 2 of the 2020 STRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $124.9 million as of July 1, 2020 (FY2021) to $252.4 million as of June 30, 2037 (FY2038), the currently projected final amortization payment. The amortization schedule has been changed in statute. See "Recent Updates and Pending Legislation Affecting VSERS and VSTRS Pension and OPEB Plans" below for information regarding recent State actions relating to reducing the unfunded liability and ADEC payments for the VSRS and STRS pension plans.

The following table provides an analysis of funding progress for each of the State's defined benefit pension plans from 2011 through 2020, based on the annual Funding Valuation Report for each respective year.

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[2] See Section 2 to the 2020 STRS report.

Public Employee Retirement Systems Defined Benefit Plans
Analysis of Funding Progress Using GASB Statement No. 25[1]
($ in thousands)

	Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
Vermont State Employees' Retirement System							
	2011	$1,348,763	$1,695,301	$346,538	79.6%	$398,264	87.0%
	2012	1,400,779	1,802,604	401,825	77.7	385,526	104.2
	2013	1,469,170	1,914,300	445,130	76.8	416,766	106.8
	2014	1,566,076	2,010,090	444,014	77.9	437,676	101.4
	2015	1,636,268	2,178,827	542,559	75.1	462,057	117.4
	2016	1,707,268	2,289,452	582,184	74.6	471,268	123.5
	2017	1,793,795	2,511,373	717,578	71.4	526,439	136.3
	2018	1,881,805	2,661,609	779,804	70.7	544,379	143.2
	2019	1,964,501	2,779,966	815,465	70.7	550,511	148.1
	2020	2,054,826	3,095,291	1,040,465	66.4	578,206	179.9
Vermont State Teachers' Retirement System							
	2011	$1,486,698	$2,331,806	$845,108	63.8%	$547,748	154.3%
	2012	1,517,410	2,462,913	945,502	61.6	561,179	168.5
	2013	1,552,924	2,566,834	1,013,910	60.5	563,623	179.9
	2014	1,610,286	2,687,049	1,076,764	59.9	567,074	189.9
	2015	1,662,346	2,837,375	1,175,029	58.6	576,394	203.9
	2016	1,716,296	2,942,024	1,225,728	58.0	586,397	209.0
	2017	1,779,592	3,282,046	1,502,453	54.2	635,759	236.3
	2018	1,866,120	3,379,554	1,513,433	55.2	641,548	235.9
	2019	1,950,860	3,505,319	1,554,459	55.7	653,966	237.7
	2020	2,035,714	3,969,003	1,933,289	51.3	677,307	285.4
Vermont Municipal Employees' Retirement System							
	2011	$402,550	$436,229	$33,679	92.3%	$205,589	16.4%
	2012	417,443	488,572	71,129	85.4	215,075	33.1
	2013	446,236	528,426	82,190	84.4	220,372	37.3
	2014	500,558	580,972	80,414	86.2	230,969	34.8
	2015	543,768	699,293	155,525	77.0	249,811	62.0
	2016	581,611	744,960	163,349	78.0	256,730	63.0
	2017	634,690	754,877	120,186	84.1	274,814	43.7
	2018	680,005	827,680	147,674	82.2	289,839	50.9
	2019	718,337	896,342	178,005	80.1	321,367	55.4
	2020	761,506	1,004,560	243,054	75.8	344,148	70.3

Source: Funding Valuation Reports

[1] GASB Statement No. 25 has been amended by GASB 67 (see "PENSION PLANS – Recent Changes to Pension Obligation Reporting"). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years. Data presented in the table was derived from the Funding Valuation Reports, but the table has not been reviewed by the State's consulting actuary.

Defined Contribution Retirement Plans

The State established an optional defined contribution plan for exempt State employees effective January 1, 1999. Exempt employees hired after January 1, 1999 have a one-time opportunity to elect either the defined benefit or the defined contribution plan. As of June 30, 2020, the VSRS Defined Contribution Plan's net assets totaled $71.16 million and there were 562 participants.

The Legislature granted authority to VMERS's Board of Trustees to establish a defined contribution plan that may be offered in lieu of the defined benefit plan currently available under VMERS. The plan was made available to new members effective July 1, 2000. The defined contribution plan may be offered by municipal employers to one or more groups of eligible employees. Once offered by the employer, each eligible employee is required to make an election to participate. As of June 30, 2020, the VMERS Defined Contribution Plan's net assets totaled $25.1 million and there were 445 participants.

Recent Changes to Pension Obligation Reporting

GASB Statement No. 67

In June 2012, GASB issued GASB Statement No. 67 ("GASB 67"), which amended GASB Statement No. 25 and set forth new standards that modified the financial reporting of the State's pension obligations. GASB 67 requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability ("NPL"). It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment disclosures. The new standard was effective commencing with the State's fiscal year 2014 reports.

One significant change implemented by GASB 67 is that reporting under the new requirements is based on the market value of assets. This will likely result in increased volatility in the NPL and pension expense from year to year. Accordingly, the State will continue to prepare reports based on its established funding methodology, incorporating the generation of an ADEC as the basis for its funding recommendation to the Governor and the General Assembly. Commencing with fiscal year 2014, however, the State's actuary also prepares a report for each system reflecting fiscal year results under the new accounting requirements (the "GASB 67 Reports"). The GASB 67 Reports for the fiscal year ending June 30, 2020 are incorporated herein by reference and are available at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2020/VSERS%20GASB%2067%20Report%20June%2030%202020.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2020/VSTRS%20GASB%2067%20Report%20June%2030%202020.pdf

VMERS: https://www.vermonttreasurer.gov/sites/treasurer/files/VMERS/PDF/2020/VMERS%20GASB%2067%20Report%20June%2030%202020.pdf

The fiscal year 2020 GASB 67 Reports are based on fiscal year 2019 census data rolled forward to fiscal year 2020, taking into account actual benefit and expense payments made during the year, any benefit and contribution plan changes and the market value of assets as of June 30, 2020. For the purpose of complying with GASB 67, the actuarial assumptions incorporate the use of market value of assets (as previously described) and the entry age normal (EAN) actuarial method. The long-term expected rate of return is determined using best estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. The single discount rate used for the fiscal year 2020 GASB 67 Reports was 7.0% for each of the systems, a change from the 7.5% discount rate used for fiscal year 2019.

The following table provides an analysis of funding progress for each of the State's defined benefit pension plans for fiscal year 2020 based on the GASB 67 Reports. The NPL is calculated using the plan assets of each system at their market value (Fiduciary Net Position) and a single discount rate (calculated as described above). The

UAAL shown in the table above labeled "Public Employee Retirement Systems Defined Benefit Plans, Analysis of Funding Progress Using GASB Statement No. 25", by contrast, uses a smoothing method to determine the Actuarial Value of Assets at the plan's assumed rate of return. For an analysis of funding progress for each of the State's defined benefit plans for fiscal years 2014 through 2020 based on GASB 67, see pages 178-183 of the fiscal year 2020 Annual Report.

Schedule of Changes in the Net Pension Liability and Related Ratios Using GASB Statement No. 67
($ in thousands)

	Actuarial Valuation Date (June 30)	System Fiduciary Net Position[1]	Total Pension Liability	Net Pension Liability	System Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll[2]	Net Pension Liability as a Percentage of Covered Payroll
VSRS	2020	$1,959,067	$3,070,253	$1,111,186	63.81%	$527,571	210.62%
STRS	2020	$1,951,490	$3,902,618	$1,951,128	50.00%	$624,908	312.23%
VMERS	2020	$740,053	$993,027	$252,974	74.52%	$306,103	82.64%

[1] Represents the market value of plan assets as of the actuarial valuation date.
[2] As of the actuarial valuation date.

The GASB 67 Reports present both an NPL and a funding percentage. Because both VSRS and STRS use the EAN actuarial method for funding, which is the required method for GASB 67, variances between the funding and GASB No. 67 reports are primarily, but not exclusively, related to market value differences. For VMERS, however, the variance between the funding valuations and the GASB 67 numbers are significant as the VMERS system does not use the prescribed EAN method for funding valuation purposes.

GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate, if it were calculated one percentage point lower or one percentage point higher. The results for fiscal year 2020 are as follows:

($ in thousands)	VSRS	STRS
One percent (1%) decrease		
Discount Rate	6.00%	6.00%
Net Pension Liability	$1,511,458	$2,430,339
Net Pension Liability, as reported		
Discount Rate	7.00%	7.00%
Net Pension Liability	$1,111,186	$1,951,128
One percent (1%) increase		
Discount Rate	8.00%	8.00%
Net Pension Liability	$781,521	$1,552,656

GASB Statement No. 68

In June 2012, GASB also issued GASB Statement No. 68, which set forth new standards that modified the accounting and financial reporting of the State's pension obligations. The new standard for governments that provide employee pension benefits requires the State to report in its Statement of Net Position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard requires immediate recognition of more pension expense than was previously required. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date."

The new GASB 68 standard was effective commencing with the State's fiscal year 2015. For fiscal year 2020, the State has elected to use fiscal year 2019 as a measurement date, which means that the NPL reported in the State's Annual Report for the fiscal year ended June 30, 2020 is based on the fair value of assets as of June 30, 2019. As of June 30, 2020, the State reported an NPL of $2,401.9 million, of which $841.3 million is allocable to VSRS and $1,560.6 million is allocable to STRS. The State's actuary has completed its analysis as to the appropriate discount rate for calculation of the NPL for fiscal year 2020 (based on a June 30, 2019 measurement date) and concluded that none of the three plans experienced a "crossover" event. The measurement of the State's NPL for fiscal year 2020 assumes a long-term expected rate of return of plan investments of 7.5%.

Recent Action Affecting the Amortization of Unfunded Liabilities

Legislation was enacted in fiscal year 2016 to change the amortization rate on the unfunded liability beginning on July 1, 2019. Beginning on July 1, 2019 and annually thereafter, the amount of each annual basic accrued liability contribution shall be determined by amortization of the unfunded liability over the remainder amortization period ending 2038 in installments increasing at a rate of 3.0% per year, instead of the rate of 5.0% as provided previously. Leveling out the payment schedule to a rate more consistent with the long term assumed rate of inflation would increase ADEC payments in the short-term but will have the likely effect of reducing the overall interest payments and result in an earlier reduction of the unfunded liability.

Other Post-Employment Benefits

Overview. Beginning in fiscal year 2008, pursuant to rules adopted by the Governmental Accounting Standards Board covering non-pension post-employment benefits, primarily health insurance (GASB Statement Nos. 43 and 45), public sector entities such as the State were required to report the future costs of these benefits on their balance sheets. The standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is more conservative, and therefore results in larger yearly cost and liability accruals if they are funded on a pay-as-you-go basis—as they presently are in Vermont and in many other jurisdictions—and not pre-funded in the same manner as traditional pension benefits.

Actuarial Valuation. The State's independent actuary has prepared reports of the OPEB liabilities for VSRS and STRS as of June 30, 2020 under GASB 74, as well as calculating an ADEC for each of the systems. Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis. VMERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated state health care benefit or liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The difference between the value of prefunded and pay-as-you-go OPEB liabilities is due to the discount rate used in the calculation. In the absence of prefunding, the discount rate must approximate the State's rate of return on non-pension, liquid investments over the long term. The discount rate for both systems is estimated at 3.58% for the fiscal year 2019 ADEC, 3.87% for the fiscal year 2020 ADEC, and 3.50% for the fiscal year 2021 ADEC. The rates for the fiscal year 2022 ADEC differ slightly for the systems as VSRS has a larger amount of assets in trust and therefore a slightly higher blended rate is used. The rates for the fiscal year 2022 ADEC are 2.23% for VSRS and 2.21% for VSTRS. In the event of prefunding, the discount rate would increase to a return on long-term investments consistent with the respective pension funds, currently estimated at 7.0% for VSRS and for STRS. In order to treat its OPEB liabilities as prefunded, the State would have to enact legislation providing for the deposit of annual contributions in an irrevocable trust, in the manner similar to the pension funds. As further described below, an OPEB trust has been established for VSRS although funding to date is limited to the deposit of Medicare-D subsidies received for State employees' health programs. The Retired Teachers' Health and Medical Benefit Fund (see below) is an OPEB fund and was established in fiscal year 2015.

For VSRS, assuming no prefunding, the Net OPEB Liability (NOL) as of June 30, 2020 is $1,425.4 million, an increase of $197.8 million from the prior valuation NOL of $1,227.6 million.

Based on the actuarial report under GASB 74 for the year ended June 30, 2020, the VSRS OPEB ADECs for fiscal years 2021 and 2022, each calculated assuming no additional prefunding and assumed discount rates of 3.50% for 2021 and 2.23% for 2022, are $90.0 million and $109.7 million, respectively. If, however, prefunding is assumed, the actuarial accrued liability for VSRS OPEB obligations earned through June 30, 2020 is reduced to $794.0 million with a UAAL of $738.4 million, and the OPEB ADEC for fiscal years 2021 and 2022 are calculated to be $58.2 and $58.8 million, respectively. In fiscal year 2020, the State funded actual health care pay-as-you-go payments for VSRS in the amount of $35.8 million. For fiscal year 2021, the State budgeted these payments at $36.9 million.

For STRS, assuming no prefunding, the Net OPEB Liability (NOL) as of June 30, 2020 is $1,259.4 million, an increase of $218.6 million from the prior valuation NOL of $1,040.8 million. Based on the actuarial report under GASB 74 for the year ended June 30, 2020, the STRS OPEB ADECs for fiscal years 2021 and 2022, each calculated on the pay-as-you-go basis at assumed discount rates of 3.50% for 2021 and 2.21% for 2022, are $67.9 million and $102.2 million, respectively. If, however, prefunding is assumed, the actuarial accrued liability for STRS OPEB obligations earned through June 30, 2020 is reduced to $594.9 million with a UAAL of $594.6 million, and the OPEB ADEC for fiscal years 2021 and 2022 are calculated to be $46.4 million and $52.2 million, respectively. In fiscal year 2020, the State funded actual health care pay-as-you-go payments for STRS in the amount of $27.6 million. For fiscal year 2021, the State budgeted these payments at $40.1 million.

The actuarial reports under GASB 74 of the OPEB liabilities for VSRS and STRS as of June 30, 2020 are posted on the State Treasurer's website at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2020/VSERS%20Post%20Retirement%20GASB%20No.74%20Report%202020.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2021/VSTRS%20Post%20Retirement%20GASB%20No.74%20Report%202020.pdf

Funding Status and Funding Progress. The State has not yet made decisions on when or how it will fund the full OPEB ADEC, although it has taken several steps. In fiscal year 2007, an irrevocable trust was established to be administered by the State Treasurer for the purpose of accumulating and providing reserves to fund retiree post-employment benefits for members of the VSRS, excluding pensions and benefits otherwise appropriated by statute.

In the case of VSRS, current year heath care expenses are expressly funded, separate from the pension actuarial contribution. In the case of STRS, until the end of fiscal year 2014, the health care expenses were paid through a sub-fund of the pension fund but were not explicitly budgeted or funded, were treated as an amortized actuarial loss, and were therefore not included in the Net OPEB Liability ("NOL") calculation, but rather were reflected as part of the NPL. In Act 179 of 2014, the Vermont Legislature created the Retired Teachers' Health and Medical Benefits Fund to explicitly fund current year health care expenses separate from the pension actuarial contribution, commencing July 1, 2014.

The Retired Teachers' Health and Medical Benefit Fund ("RTHMB Fund") receives funding from a combination of sources including General Fund appropriations, Employer Group Waiver Plan (EGWP) subsidies, and, starting in fiscal year 2016, an annual health care assessment on newly-hired teachers.

The State previously provided a table that showed certain actuarial information, including funded ratios, regarding its OPEB plans, but such information is no longer calculated under GASB 74 and the analogous information is presented in the following section.

Recent Changes Affecting OPEB Reporting

In June 2015, GASB issued Statement No. 74 ("GASB 74") and Statement No. 75 ("GASB 75"), which set forth new standards that modified the accounting and financial reporting of the State's other post employment benefits ("OPEB"). Under GASB 74, which was effective in 2017, OPEB plans are required to discount retiree health care liabilities based on the 20-year municipal bond rates if there are not sufficient assets in the plans to use the long term expected return rate. As the STRS OPEB has a small amount of assets, and is funded on a pay-as-you-go basis, the rates used in 2017, 2018, 2019, and 2020 were the 20-year municipal bond rates of 3.58% 3.87%, 3.50%, and 2.21% respectively. GASB 75 was effective in 2018, and required states to report a net OPEB liability on their statements of net position, defined as the difference between the total OPEB liability and the net assets set aside in the trust. Also required by Statement No. 75 was the recognition in the statement of activities of a net OPEB expense. The following tables present the funding status of the VSRS OPEB and the STRS OPEB for the last ten years (in accordance with the applicable GASB statements). For additional information on the State's OPEB funding progress, presented in accordance with GASB 74 and GASB 75, see pages 151-159 of the fiscal year 2020 Annual Report attached hereto as Appendix A.

VSRS

Valuation (as of June 30)[1]	Plan Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as % of Covered Payroll
2020	$57,592,708	$1,482,970,357	$1,425,377,649	3.88%	$554,291,862	257.15%
2019	51,732,747	1,279,298,804	1,227,566,057	4.04	548,512,479	223.80
2018	21,770,915	1,240,275,317	1,218,504,402	1.76	531,542,782	229.24
2017	22,501,872	1,484,522,051	1,462,020,179	1.52	497,200,588	294.05

Actuarial Valuation (as of June 30)[2]	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	$21,352,818	$1,165,802,786	$1,144,449,968	1.83%	$497,222,039	230.17%
2015	19,904,458	1,113,023,051	1,093,118,593	1.79	488,949,089	223.56
2014	18,904,148	1,092,728,237	1,073,824,089	1.73	464,517,262	231.17
2013	15,662,783	985,944,145	970,281,362	1.59	436,949,107	222.06
2012	13,378,884	1,052,687,391	1,039,308,507	1.27	406,929,339	255.40
2011	11,215,536	1,050,335,415	1,039,119,879	1.07	420,321,080	247.22
2010	7,897,382	962,618,261	954,720,879	0.82	414,936,034	230.09

[1] Amounts are prepared in accordance with GASB 74, effective as of fiscal year 2017.
[2] Amounts are prepared in accordance with GASB Statement No. 43, which was replaced by GASB 74.

STRS

Valuation (as of June 30)[1]	Plan Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as % of Covered Payroll
2020	$8,718,699	$1,268,119,008	$1,259,400,309	0.69%	$624,908,253	201.53%
2019	312,090	1,041,064,931	1,040,752,841	0.03	612,899,069	169.81
2018	(26,443,247)	927,843,142	954,286,389	(2.85)	607,354,756	157.12
2017	(26,657,646)	905,632,829	932,290,475	(2.94)	586,397,072	158.99

Actuarial Valuation (as of June 30)[2]	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	$(20,961,074)	$656,936,580	$677,897,654	(3.19)%	$606,842,668	111.71%
2015	(10,056,456)	993,036,838	1,003,093,294	(1.01)	576,255,084	174.07
2014[3]	-	766,775,478	766,775,478	0.00	565,658,407	135.55
2013	-	712,666,108	712,666,108	0.00	563,533,549	126.46
2012	-	827,180,098	827,180,098	0.00	561,025,964	147.44
2011	-	780,032,155	780,032,155	0.00	547,748,405	142.41
2010	-	703,750,867	703,750,867	0.00	560,763,396	125.50

[1] Amounts are prepared in accordance with GASB 74, effective as of fiscal year 2017.
[2] Amounts are prepared in accordance with GASB Statement No. 43, which was replaced by GASB 74.
[3] The RTHMB Fund was established by the Vermont Legislature pursuant to Act 179 of 2014, effective July 1, 2014. Prior to such date, health care expenses were paid through a sub-fund of the pension fund but were not explicitly budgeted or funded, were treated as an amortized actuarial loss, and were therefore not included in the UAAL calculation.

The GASB 74 OPEB reports for VSRS and STRS as of June 30, 2019 are posted on the State Treasurer's website at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2019/VSERS%20-%20GASB%2074%20Valuation%206-30-2019%20FINAL.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2019/2019_VSTRS_GASB_74_2019-06-30_FINALv2.pdf

Recent Updates and Pending Legislation Affecting VSERS and STRS Pension and OPEB Plans

The 2020 Funding Valuation Report for VSRS and STRS, which factored in the most recent experience study completed in 2020 for the period covering July 1, 2014 through June 30, 2019, reflected an aggregate $604.0 million increase in the UAAL as of June 30, 2020 across both systems compared to the June 30, 2019 valuation, and an aggregate $96.6 million increase in the ADEC for fiscal year 2022 across both systems compared to the prior year's valuation report, as reflected in the table below.

	2019 Valuation	2020 Valuation	$ Increase
VSRS			
UAAL	$815.5 million	$1,040.5 million	$225.0 million
Fiscal Year 2022 ADEC	$83.9 million	$119.9 million	$36.0 million
STRS			
UAAL	$1,554.0 million	$1,933.0 million	$379.0 million
Fiscal Year 2022 ADEC	$135.6 million	$196.2 million	60.6 million

In October 2020, the VSRS and STRS Boards directed the Treasurer to work with stakeholder groups to identify and review recommendations to lower the UAAL and ADEC payments to at least the previous 2021 projections. On January 15, 2021, the Treasurer submitted a report to the Legislature, Governor, and the VSRS and STRS Boards of Trustees detailing those recommendations. The Treasurer's report includes an aggregate $474 million in projected reductions to the unfunded liabilities across both pension plans, and $85.4 million in projected reductions in the ADEC. Additionally, the Treasurer's report discussed the importance of pre-funding the OPEB plans, and the Treasurer subsequently testified on plans to pre-fund both the STRS and VSRS OPEB plans. The aggregate estimated reduction in unfunded liabilities for pre-funding both OPEB plans is $1.68 billion, which when combined with the savings from the proposed changes on the pension plans would total over $2.1 billion. The Treasurer's report can be found on the Treasurer's website at https://www.vermonttreasurer.gov/sites/treasurer/files/documents/Report%20to%20Board%20of%20Trustees%20and%20General%20Assembly%201.15.2020%20FINAL.pdf.

The proposed changes and pre-funding plans detailed in the Treasurer's report are currently being evaluated by the general assembly, which has announced plans to establish a task force to review and come up with solutions to address Vermont's unfunded liabilities over the summer of 2021. The State cannot predict the timing or ultimate form that any legislation addressing pension and OPEB funding and reform will take.

LABOR RELATIONS

As of June 30, 2020, there were 8,317 employees (approximately 8,267 full time equivalent positions) in the executive branch of State government. This figure includes both classified and exempt positions. Seasonal work force needs affect the number of temporary employees. Therefore, they are not included in the number of employees.

Most of the State's classified employees in certified bargaining units are represented by the Vermont State Employees' Association (VSEA). The approximately 272 members of the Vermont State Police bargaining unit (for the rank of Sergeant and below) are represented by the Vermont Troopers' Association (VTA). The State's current contract with its unionized employees represented by VSEA, which began on July 1, 2020 and expires on June 30, 2022, provides for the continuation of longevity-based salary increases (steps), a $1,400 one-time lump sum payment effective July 1, 2020, and an additional 2.25% across the board pay increase with the continuation of steps effective July 4, 2021. The VTA bargaining unit agreement (beginning July 1, 2020 and expiring June 30, 2022) provides for the continuation of longevity-based salary increases, a $1,400 one-time lump sum payment effective July 1, 2020, and an additional 2.25% across the board pay increase with the continuation of steps effective July 4, 2021.

CYBERSECURITY RISKS

The State relies on the use of information technology as a critical enabling factor to support citizens, businesses, and all aspects of State government. The State also relies on its access to the Internet to conduct essential operations.

The State faces the same external cyber threats as any other entity connected to the Internet, including phishing attacks, ransomware, malware-embedded emails, denial of service and network-based attacks. Internal cyber threats (commonly referred to as "Insider Threat") also exist, and the most common result is a breach of confidential or sensitive information.

To counter known and unknown cyber threats, the State employs a wide variety of defensive strategies. These strategies include hardware and software deployed at every level of the enterprise architecture, from network perimeter devices to the user desktop, including firewalls, intrusion detection/prevention, multi-factor authentication, and endpoint protection focused to detect cyber-attacks against the email system, web and application servers, and databases.

The State requires employees to complete a comprehensive cybersecurity training and awareness program, which is presented in incremental lessons to ensure that the training is a normal and regular reminder of the importance of the employees' role in the State's cybersecurity. The State coordinates and shares cyber event information with state and federal entities, such as the Department of Homeland Security and with cyber-focused public organizations such as the Multi State Information Sharing and Analysis Center (MS-ISAC) and the National Association of State Chief Information Officers (NASCIO). In 2018 and 2019, the State partnered with Norwich University to conduct tests on some of its critical systems and began a series of table-top exercises in 2020 to evaluate its incident response plan and the State's capability detect, contain, and eradicate a cybersecurity incident.

These exercises will continue throughout calendar year 2021. Operationally, the State recently replaced aging infrastructure with modern networking equipment and new next-gen firewalls to protect both its internet boundary and fully upgraded one of the State data centers. A large percentage of the State workforce began and continues to work remotely from home due to the COVID-19 pandemic, and the State rolled out a new virtual private network (VPN) service allowing for end-to-end encryption when employees access State data directly from home.

The most notable cybersecurity incident the State has experienced in recent years occurred in August 2020. The attack was detected early by the State's security systems, staff reacted quickly, and the result was halted at a minor, yet active, intrusion. The above-described work completed over the last three years led directly to the State's ability to detect and eradicate the attack. Other incidents the State has experienced would be characterized as privacy incidents, based on errors in programming and dissemination of written notification to constituents.

The Agency of Digital Services (ADS) recently executed a contract for an independent Comprehensive Cybersecurity Risk Assessment. The risk assessment took place from November 2020 through March 2021, and was primarily a technical security assessment, focused on a survey of IT assets, followed by security assessments of the State's network architecture, servers and endpoints, applications, and data. The final assessment report is due in April 2021. The information gathered from the cybersecurity assessment will allow the State to prioritize application/system upgrades and replacement, based on the relative risk of the application/system to the overall State network infrastructure.

While there can be no guarantees against a future cyber-attack resulting in some impact, the State has taken a deliberate and focused approach to protect against, detect, respond to, and recover from a potential cyber event and looks at every opportunity to improve on its cyber-readiness posture. If there is a significant attack or data breach, the State has a cyber-insurance policy to assist with any repercussions of a serious incident. This policy includes coverage for legal services, computer forensic services, notification expenses, crisis monitoring coverage, business interruption, data protection loss, and cyber terrorism and extortion. Notwithstanding the planning and actions taken to date, the State cannot assure that future incidents or possible unknown prior events will not have a potential material impact on the State's operations or financial condition.

LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving tort, contract, civil rights and employment claims. While the State is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts, the State believes that any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies would not materially affect the State's overall financial condition. See "CERTIFICATES OF STATE OFFICERS – Absence of Litigation" for a discussion of the Attorney General's certificate regarding litigation affecting the Bonds. See also Note V.D to the audited basic financial statements of the State for fiscal year 2020, attached as Appendix A to this Official Statement.

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the State of Vermont ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other State of Vermont tax consequences arising with respect to the Bonds. Bond Counsel also has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of Vermont. Complete copies of the proposed form of opinion of Bond Counsel are set forth in Appendix C hereto.

To the extent the issue price of any series and maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. For this purpose, the issue price of a particular series and maturity of the Bonds is the reasonably expected initial offering price to the public or, if applicable, the first price at which a substantial amount of such series and maturity of the Bonds is sold to the public. The original issue discount with respect to any series and maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and State of Vermont personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Beneficial Owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Vermont legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds. Investors should consult their own financial and tax advisors to analyze the importance of these risks.

FINANCIAL ADVISOR

Public Resources Advisory Group, Media, Pennsylvania ("PRAG"), serves as independent financial advisor to the State on matters relating to debt management. In its capacity as financial advisor to the State, PRAG has read and participated in the preparation of certain portions of this Official Statement. PRAG is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. PRAG is not obligated to undertake to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

COMPETITIVE SALE OF THE SERIES A BONDS AND SERIES B BONDS

After competitive bidding on April 27, 2021, the Series A Bonds and the Series B Bonds were awarded to Citigroup Global Markets Inc. Citigroup Global Markets Inc. has supplied the information as to the public offering yields or prices of the Series A Bonds and the Series B Bonds set forth on the inside cover page hereof. Citigroup Global Markets Inc. has informed the State that if all of the Series A Bonds and the Series B Bonds are resold to the public at those yields or prices, they anticipate the total aggregate underwriter's compensation for the Series A Bonds and the Series B Bonds to be $158,105.55. Citigroup Global Markets Inc. may change the public offering yields or prices from time to time.

UNDERWRITING OF THE SERIES C BONDS

The Series C Bonds are being purchased for re-offering by the underwriters named on the cover page of this Official Statement (the "Series C Underwriters"), at an aggregate purchase price of $45,875,323.07 (representing $39,580,000.00 aggregate principal amount of the Series C Bonds, plus original issue premium of $6,446,808.65, less an underwriters' discount of $151,485.58). Pursuant to the Contract of Purchase, the Series C Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all, but not less than all, of the Series C Bonds if any are purchased. Subject to the Contract of Purchase, the Series C Underwriters may offer and sell the Series C Bonds to certain dealers and others (including dealers depositing Series B Bonds into investment trusts) at prices lower (or yields higher) than the public offering prices (or yields) stated on the inside cover page hereof, and the public offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Series C Underwriters.

The following language has been provided by the underwriters named therein. The State takes no responsibility as to the accuracy or completeness thereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Series C Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series C Bonds.

BofA Securities, Inc., as an underwriter of the Series C Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series C Bonds.

Citigroup Global Markets Inc., an underwriter of the Series C Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Series C Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series C Bonds that such firm sells.

The Series C Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Series C Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the State for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Series C Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State. The Series C Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On the date of delivery and payment, proceeds of the Series B Bonds and Series C Bonds will be used to purchase Government Obligations to be held in trust by the escrow agent to provide for payment of principal of and interest and premium on the Refunded Bonds through their redemption date. The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the State relating to computation of anticipated receipts of principal and interest on the Government Obligations to pay the regularly scheduled debt service on the Refunded Bonds until the call date and to redeem the Refunded Bonds on the call date will be verified by The Arbitrage Group, Inc., independent arbitrage consultants. Such computations are based solely upon assumptions and information supplied by or on behalf of the State. The Arbitrage Group, Inc. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

RATINGS

The State has received ratings of "AA+" with a stable outlook, "Aa1" with a stable outlook, and "AA+" with a negative outlook, from Fitch Inc., Moody's Investors Service and S&P Global Ratings (each, a "Rating Agency"), respectively, on the Bonds. The State furnished each Rating Agency with certain information and materials concerning the Bonds and the State. Generally, each Rating Agency bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that such rating may not be suspended, revised or withdrawn entirely by such Rating Agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds. Any explanation of the significance of the ratings may be obtained only from each respective Rating Agency.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the State are subject to the approval of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, whose approving opinion will be delivered with the Bonds. A copy of the proposed form of opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Series C Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

CERTIFICATES OF STATE OFFICERS

Absence of Litigation

Upon delivery of the Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or to the best of such officer's knowledge, threatened to restrain or enjoin the issuance or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof, or the levy or collection or enforcement of any taxes to pay principal of or interest on the Bonds.

The Governor's and Treasurer's Certificate

Upon delivery of the Bonds, the State shall furnish a certificate, dated the date of delivery of the Bonds, signed by the Governor and the Treasurer of the State, certifying that to the best of their knowledge this Official Statement, as of the date of this Official Statement and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE AGREEMENT

The State has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the State by not later than within one year following the end of the State's fiscal year, (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the State with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Report or the event notices is summarized below in Appendix B hereto, "Form of Continuing Disclosure Agreement." These covenants have been made in order to assist the purchasers in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The State is not aware of any failure to comply in any material respect with any of its previous undertakings with respect to the Rule in the previous five years.

ADDITIONAL INFORMATION

The Commissioner of Finance and Management reports on the financial conditions for the State including its operations and balances, receipts, and disbursements of the various funds in the Annual Financial Report. In addition, the State regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the State's financial affairs, including capital projects, State and local services, taxation, revenue estimates, pensions, and other matters.

Additional information may be obtained upon request from the office of the State Treasurer, Hon. Elizabeth A. Pearce, Pavilion Building, 109 State Street, Montpelier, Vermont 05609-6200, Telephone: (802) 828-2301 or from Mr. Thomas F. Huestis, Senior Managing Director, Public Resources Advisory Group, 117 Gayley Street, Suite 200, Media, Pennsylvania 19063, Telephone: (610) 565-5990.

It is the current policy of the State to provide copies of the General Obligation Bond Law, prior Official Statements of the State and the State's annual financial reports upon request. The State reserves the right at any time to change this policy to comply with law or for any other reason.

Some information throughout this Official Statement are based, in part, on projections and forward looking statements related to fiscal year 2021 and subsequent years. No assurance can be given that the budget, the revenue and expenditure estimates or the forward-looking statements discussed will be realized. The accuracy of the budget, the revenue and expenditure estimates and forward statements related to fiscal years 2021 and thereafter cannot be verified until after the close of the fiscal year. In addition the accuracy of all projections and forward statements is dependent on a number of factors including (1) general economic factors that affect local source revenues such as individual income taxes and sales and use taxes, (2) general factors that affect the United States economy and the State economy, and (3) the accuracy of data relating to employment, inflation and income growth in the United States and in the State. In addition, the full financial impact of the COVID-19 pandemic on the State, its economy, and its financial position will likely change significantly as circumstances and events evolve. The State cannot at present project with any reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position nor is it possible to predict the short-term and long-term impacts of the COVID-19 pandemic on the Vermont economy and all levels of government. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the State.

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, other than to satisfy the State's continuing disclosure obligations under the Rule.

By: *_/s/ Philip B. Scott_*
Governor

By: *_/s/ Elizabeth A. Pearce_*
Treasurer

APPENDIX A

STATE OF VERMONT'S ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The information in this Appendix A includes pages 13 through 206 of the State of Vermont's Comprehensive Annual Financial Report (the "Annual Report") for the fiscal year ended June 30, 2020. The entire Annual Report is available from the Department of Finance and Management's website at http://finance.vermont.gov/reports-and-publications/cafr.

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INDEPENDENT AUDITORS' REPORT

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain funds and component units of the State, which represent the indicated percentages of total assets and total revenues of the opinion units as presented in the table below. Additionally, we did not audit the information disclosed in Note V-E. Those financial statements and information in Note V-E. were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those funds and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Universal Service Fund	0.04%	0.10%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	5.54%	21.38%
Special Fund	Universal Service Fund	1.15%	2.10%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.42%	6.17%

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Aggregate Discretely Presented Component Units	Vermont Student Assistance Corporation; University of Vermont and State Agricultural College; Vermont State Colleges; Vermont Housing Finance Agency; Vermont Economic Development Authority; Vermont Housing and Conservation Board; Vermont Municipal Bond Bank; Vermont Educational and Health Buildings Financing Agency; Vermont Veterans' Home	100.00%	100.00%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 29, 2020

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2020. This Management Discussion & Analysis (MD&A) section is intended to serve as an introduction to the state's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the state's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2020. The following presentation is in summary form; to gain a thorough understanding of the state's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide

- Vermont reported a deficit net position of $319.2 million, comprised of $6.660 billion in total assets and $712.1 million in deferred outflows offset by $7.263 billion in total liabilities, and $428.2 million in deferred inflows at June 30, 2020 (Table 2). Of this deficit net position amount, $2.754 billion represents the net investment in capital assets, $919.4 million is restricted for various purposes, and $3.993 billion represents a deficit unrestricted net position. The reasons for the deficit unrestricted net position are discussed in the Government-wide Financial Analysis section.

- The primary government's net position has decreased by $258.5 million as a result of this year's operations. The net position for governmental activities decreased $112.5 million and net position for business activities decreased by $146 million (Table 3). The decrease in net position for business activities was primarily due to reductions in the financial position of the Unemployment Compensation Trust Fund.

Fund level

- Vermont's governmental funds reported a combined ending fund balance of $1.095 billion, an increase of $38.7 million or 3.7% above the prior year. Of this ending fund balance, $64.0 million is non-spendable, $532.8 million is restricted for specific purposes, and $498.4 million is available for spending (committed, assigned, and unassigned fund balance). The increase in ending fund balance is primarily attributable to an increase in the fund balance of the General Fund ($51.7 million), and an increase in Capital Projects Funds ($35.3 million), offset by an decrease in Special Revenue Funds ($48.8 million).

- Vermont's enterprise funds reported a combined net position of $391.7 million, a decrease of $146.0 million over last year.

- Vermont's General Fund reported an ending fund balance of $264.5 million, of which $56.6 million is non-spendable, and $207.9 million is available for spending (assigned and unassigned).

Capital assets

- The carrying amount of capital assets for the primary government increased to $3.164 billion, an increase of $75.9 million over last year. The increase is primarily due to $112.1 million in infrastructure assets, $9.6 million in construction in process, and $5.3 million in land and land improvements; offset by a $40.9 million decrease in machinery and equipment and $10.2 million decrease in buildings and improvements.

Long-term debt

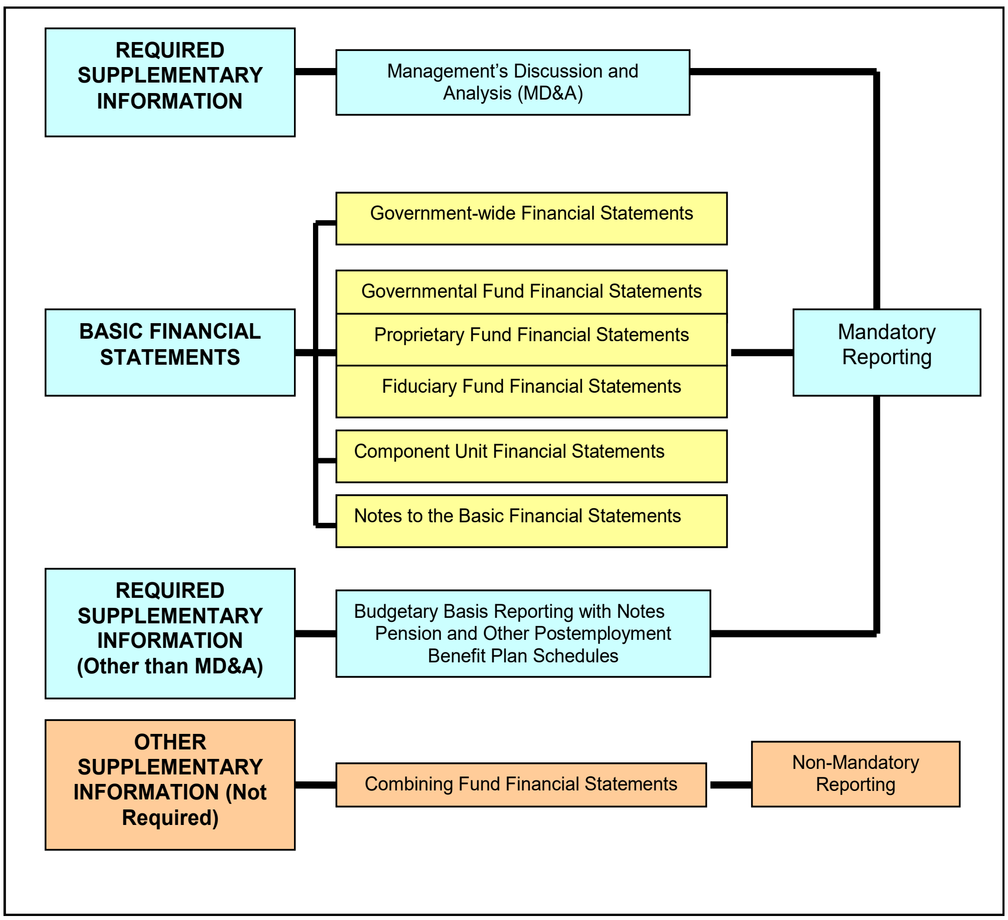
- Vermont's debt outstanding for general and special obligation bonds increased $27.3 million as compared to fiscal year 2019. In 2020, Vermont issued $127.8 million in general obligation bonds, and retired $98.8 million in general obligation bonds and $1.7 million in special obligation bonds.

More information regarding the government-wide financial statements, fund level financial statements, capital asset activity and long-term debt activity can be found beginning on page 23.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of an introductory section, a financial section, and a statistical section. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), and other supplementary information. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout of the financial section and the relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.



Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) funds' financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above financial statements and are considered an integral part of the financial statements.

Table 1 summarizes the major features of the basic financial statements with further explanations below:

Table 1 - Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's discretely presented component units	The activities of the state that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the state operates similar to private businesses, such as the Liquor Control Fund and State Lottery Fund	Instances in which the state is the trustee or agent for someone else's resources, such as the retirement plans for public employees
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expense, and Changes in Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and both short-term and long-term	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the state's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of Vermont's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support Vermont's own programs.

The government-wide statements contain both short-term and long-term information about the state's financial position and assist in assessing the state's economic condition at the end of each fiscal year. Vermont prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. The methods utilized to prepare these statements are similar to those used by most private sector businesses. They consider all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the state, even if cash involved has not yet been received or paid.

The government-wide financial statements present two statements:

The *Statement of Net Position* presents a snapshot of both the primary government's and its component units' assets, liabilities, deferred outflows, and deferred inflows, as of the date of this report, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as "net position". Over time, increases or decreases in the primary government's net position may serve as an indicator as to whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net position included on the Statement of Net Position. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the state's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the state include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control Fund, and the State Lottery Fund. Activities reported as non-major include the Federal Surplus Property Program, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could incur a financial burden due to the activities of the entity. Vermont's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of four major and five non-major component units. This categorization is determined by the entity's relative significance to Vermont. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the component units are presented in Note I to the financial statements.

Blended Component Units – Vermont has no blended component units.

Included with the basic financial statements are two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with governmental activities (accrual basis of accounting) on the government-wide statements.

The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, net pension and other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental fund statements.
- Internal service funds are reported primarily as governmental activities but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements but is reported as an expenditure on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements. Payments of bond and note principal results in a reduction in liabilities on the government-wide statements but are reported as expenditures on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Net position balances are allocated as *net investment in capital assets* (capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds and notes attributable to those assets) *restricted net position* (those with constraints placed on their use by external sources or imposed by law through constitutional provision or enabling legislation) and *unrestricted net position* (the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet any of the above restrictions).

The notes to the basic financial statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements.

2) Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. In line with practices of other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the state's activities in more detail than the government-wide statements. All of Vermont's funds have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. For governmental activities, the governmental funds financial statements indicate how these services are financed in the short-term as opposed to the government-wide statements, which present a long-term view of the state's finances.

In accordance with GASB Statement No. 34, the focus of governmental fund financial statements has shifted from fund types to reporting on the most significant funds of the state, or major funds. Accordingly, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, private purpose trusts, and agency funds). Combining schedules or statements for the individual pension, other postemployment benefit, and agency funds are presented in the Other Supplementary Information section.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. These fund categories use different accounting methods and should be interpreted differently as described below. Following is a brief overview of these three major categories of funds.

Governmental Funds
Most of the state's basic services are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that help determine whether adequate financial resources are available to meet the current needs of the state.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

Vermont reports twenty governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, two debt service funds, and nine permanent funds, all of which are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

Fund balance (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is classified as non-spendable, restricted and unrestricted (committed, assigned or unassigned).

Vermont budgets and controls its financial activities on the cash basis of accounting. State law requires financial transactions to be recorded in either of two major categories – the General Fund or various special revenue funds. References to these funds in this report include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. Vermont adopts an annual appropriated budget for its budgetary general fund and each special revenue fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the approved budgets. These schedules can be found as part of the required supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds
This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Position;* a *Statement of Revenues, Expenses and Changes in Net Position*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-state government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

Vermont reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the State Lottery Fund. The other six enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. These funds provide communication and information technology, facilities and property management, fleet management, printing, risk management and insurance services. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to these activities. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund statements is presented at the end of the proprietary fund financial statements.

Vermont reports twenty-four internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

Fiduciary Funds
The fiduciary funds are used to account for assets held by Vermont in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because Vermont cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

Vermont's fiduciary funds are divided into the following three basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, two defined benefit other postemployment benefit plans, and one defined contribution other postemployment benefit plan); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (nine agency funds which account for the assets held for distribution by Vermont as an agent for other governmental units, organizations or individuals). These funds' financial reports include a *Statement of Fiduciary Net Position;* and a *Statement of Changes in Fiduciary Net Position*.

The fiduciary funds financial statements can be found immediately following the proprietary funds' financial statements. Individual pension and other postemployment benefit trust funds' and agency funds' financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements
As mentioned previously, Vermont has included the net position and activities of four major component units in individual columns and five non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in Other Supplementary Information section of this report.

4) Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. The notes also explain some of the information contained in the financial statements and provide more detail than is practical in the financial statements.

The notes include a summary of significant accounting policies; additional information regarding the reconciliation of government-wide and fund financial statements; discussions on stewardship, compliance and accountability; detailed notes on all activities and funds; and other information. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information.
This section includes:

- The Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Investment Returns, the Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net Pension Liability for the two defined benefit pension trusts are included in the required supplementary information section. Also, this section includes the Schedule of Changes in Net OPEB Liability and Related Ratios, The Schedule of Investment Returns, Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net OPEB Liability for the other postemployment benefit plans.

- Schedules for the General Fund and budgeted Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on a budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note III.A for additional information regarding the budgetary process, including the budgetary basis.

- Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for the general fund and each budgeted special revenue fund, as well as additional information regarding the budgetary process.

Other Supplementary Information
The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds (including individual pension and other postemployment benefit trust funds, and agency funds)
- Non-major component units

Statistical Section
A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position
The following primary government condensed financial statement information is derived from Vermont's June 30, 2020 and 2019 government-wide Statement of Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

Vermont's combined deficit net position (governmental and business-type activities) totals $319.2 million at the end of fiscal year 2020, as shown in Table 2. Approximately $2.754 billion of the combined net position represents Vermont's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This net investment in capital assets represents resources used to provide services to citizens, and therefore is not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Capital assets net of accumulated depreciation increased by $75.9 million primarily due to a $112.1 million increase in infrastructure assets, $9.6 million in construction in process, and $5.3 million in land and land improvements; offset by $40.9 million decrease in machinery and equipment and $10.2 million in buildings and improvements.

An additional portion of the primary government's net position ($919.4 million) represents resources that are subject to external restrictions on how they may be used. This is a decrease of $146.3 million and is primarily a result of additional amounts that are restricted for natural resources ($6.5 million), offset by a decrease in unemployment compensation ($134.1 million), human services ($7.9 million), protection to persons and property ($5.4 million), and transportation ($4.6 million).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of $3.993 billion. The governmental activities' negative unrestricted net position balance is mainly the result of three actions: 1) the net pension and net other postemployment benefit liabilities; 2) the amount of net position that is restricted for various purposes; and 3) long-term debt issued by Vermont for municipal, non-profit or component unit capital purposes, $224.4 million outstanding at June 30, 2020, that does not result in a governmental activities' capital asset.

Current assets increased by $1.185 billion primarily due to increases in cash and cash equivalents ($1.008 billion), taxes receivable ($108.9 million), federal grants receivable ($40.1 million), and investments ($3.4 million). The increase in cash & cash equivalents is largely due to the $1.25 billion in federal assistance Vermont received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was passed by Congress to deal with the impact of the COVID-19 pandemic, but was not spent by the fiscal year end. Long term liabilities increased by $272 million primarily due to the increase in net pension liabilities and net other postemployment benefit liabilities ($238.9 million) and in bonds, notes, and leases payable ($30.8 million).

At the end of fiscal year 2020, Vermont reported positive total net position balances in its business-type activities and its discretely presented component units, and a deficit net position in its governmental activities.

(Table on next page.)

TABLE 2
State of Vermont's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	$ 2,469.1	$ 1,303.3	$ 598.8	$ 579.8	$ 3,067.9	$ 1,883.1
Other assets	426.8	465.6	1.7	1.8	428.5	467.4
Capital assets	3,159.5	3,083.3	4.1	4.4	3,163.6	3,087.7
Total assets	6,055.4	4,852.2	604.6	586.0	6,660.0	5,438.2
DEFERRED OUTFLOWS						
Total deferred outflows	709.8	727.8	2.3	2.6	712.1	730.4
LIABILITIES						
Other liabilities	1,767.7	674.3	193.0	29.7	1,960.7	704.0
Long-term liabilities	5,287.2	5,012.3	15.2	17.7	5,302.4	5,030.0
Total liabilities	7,054.9	5,686.6	208.2	47.4	7,263.1	5,734.0
DEFERRED INFLOWS						
Total deferred inflows	421.4	492.0	6.8	3.3	428.2	495.3
NET POSITION						
Net Investment in capital assets	2,750.2	2,656.9	4.1	4.4	2,754.3	2,661.3
Restricted	528.8	540.5	390.6	525.2	919.4	1,065.7
Unrestricted (deficit)	(3,990.1)	(3,796.0)	(2.8)	8.3	(3,992.9)	(3,787.7)
Total net position	$ (711.1)	$ (598.6)	$ 391.9	$ 537.9	$ (319.2)	$ (60.7)

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall decrease in net position of $112.5 million, or a 18.8% increase in the deficit net position, resulting from an operating loss of $164.2 million offset by net transfers in from business-type activities of $51.7 million. The $284.2 million increase in revenues over 2019 was due to an increase of $376.4 million in program revenues, offset by a $92.2 million decrease in general revenues.

Business-type activities had an overall decrease in net position of $146 million or 27.1%, resulting from an operating loss of $94.3 million and net transfers out of $51.7 million to governmental activities; primarily from the Lottery ($27.5 million) to support education and $23 million transfer from Liquor Control Fund to the General Fund. Revenues increased from 2019, primarily due to an increase in unemployment federal grants ($533 million) and increase in liquor sales ($23.3 million); offset by a decrease in lottery ticket sales ($1.9 million) and an increase in unemployment compensation ($735.5 million) expenses.

The primary government condensed financial statement information is derived from Vermont's June 30, 2020 and 2019 government-wide Statement of Changes in Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

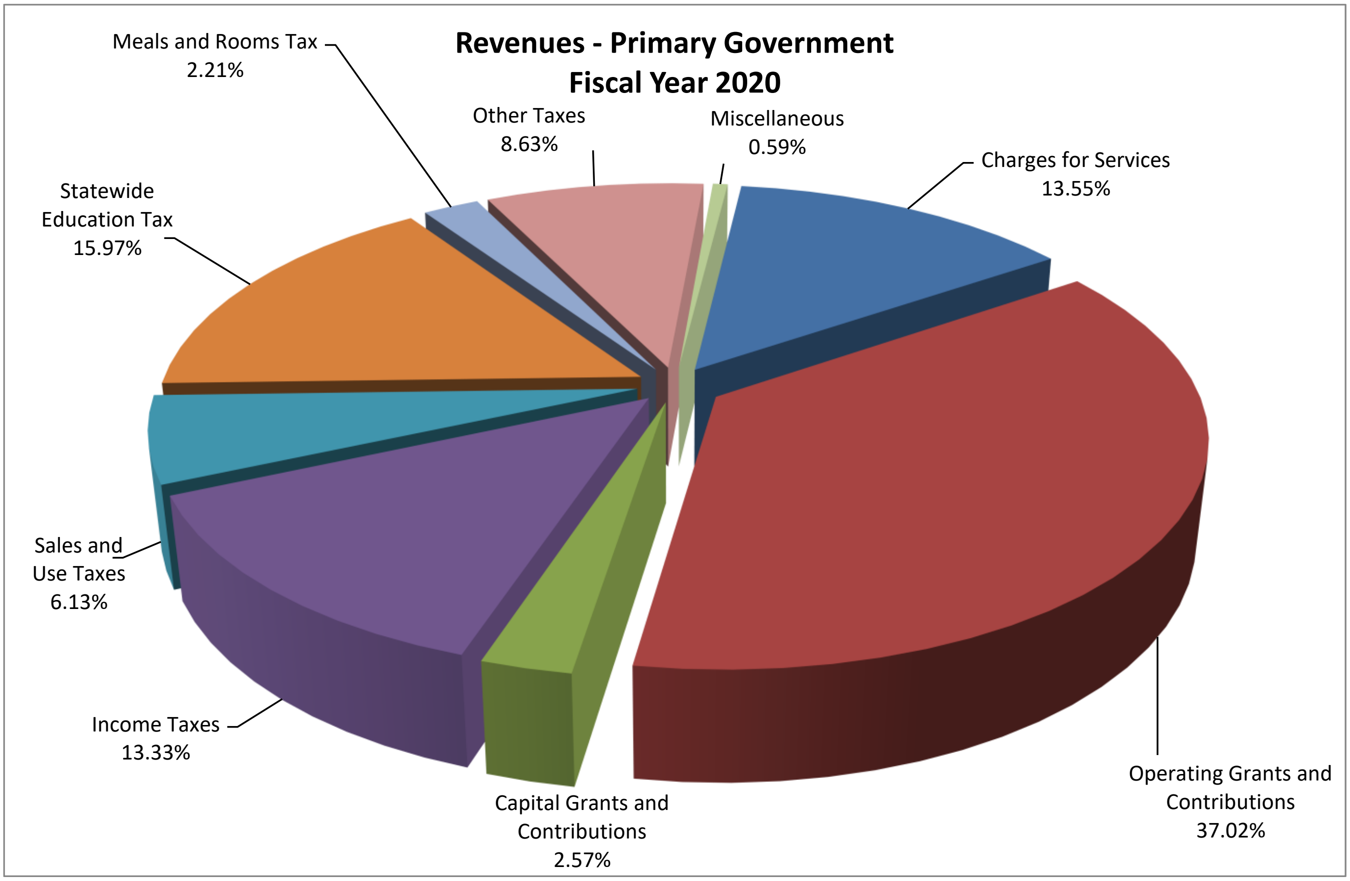
(Table on next page.)

TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 546.4	$ 434.6	$ 424.1	$ 396.5	$ 970.5	$ 831.1
Operating grants and contributions	2,116.2	1,860.7	535.1	2.5	2,651.3	1,863.2
Capital grants and contributions	184.3	175.2	-	-	184.3	175.2
General revenues						
Income taxes	954.9	1,045.4	-	-	954.9	1,045.4
Sales and use taxes	439.1	416.8	-	-	439.1	416.8
Statewide education tax						
Gross tax assessed	1,309.9	1,271.5	-	-	1,309.9	1,271.5
Income sensitivity adjustment	(165.8)	(166.0)	-	-	(165.8)	(166.0)
Meals and rooms tax	158.4	184.6	-	-	158.4	184.6
Other taxes	617.8	653.7	-	-	617.8	653.7
Miscellaneous	29.8	30.3	12.0	11.2	41.8	41.5
Total revenues	6,191.0	5,906.8	971.2	410.2	7,162.2	6,317.0
Expenses						
General government	302.0	159.7	-	-	302.0	159.7
Protection to persons and property	377.0	326.0	-	-	377.0	326.0
Human services	2,690.5	2,539.0	-	-	2,690.5	2,539.0
Labor	46.6	31.1	-	-	46.6	31.1
General educaton	2,267.4	2,157.2	-	-	2,267.4	2,157.2
Natural resources	149.2	143.8	-	-	149.2	143.8
Commerce and community development	36.4	41.8	-	-	36.4	41.8
Transportation	467.8	460.6	-	-	467.8	460.6
Interest on long-term debt	18.3	17.8	-	-	18.3	17.8
Unemployment compensation	-	-	801.1	65.7	801.1	65.7
State lottery	-	-	110.0	110.2	110.0	110.2
Liquor control	-	-	71.6	66.7	71.6	66.7
Other business type expenses	-	-	82.8	60.0	82.8	60.0
Total expenses	6,355.2	5,877.0	1,065.5	302.6	7,420.7	6,179.6
Change in net position						
before transfers	(164.2)	29.8	(94.3)	107.6	(258.5)	137.4
Transfers net in (out)	51.7	31.7	(51.7)	(31.7)	-	-
Change in net position	(112.5)	61.5	(146.0)	75.9	(258.5)	137.4
Net position, beginning of year,	(598.6)	(660.1)	537.9	462.0	(60.7)	(198.1)
Net position, end of year	$ (711.1)	$ (598.6)	$ 391.9	$ 537.9	$ (319.2)	$ (60.7)

Totals may not add due to rounding.

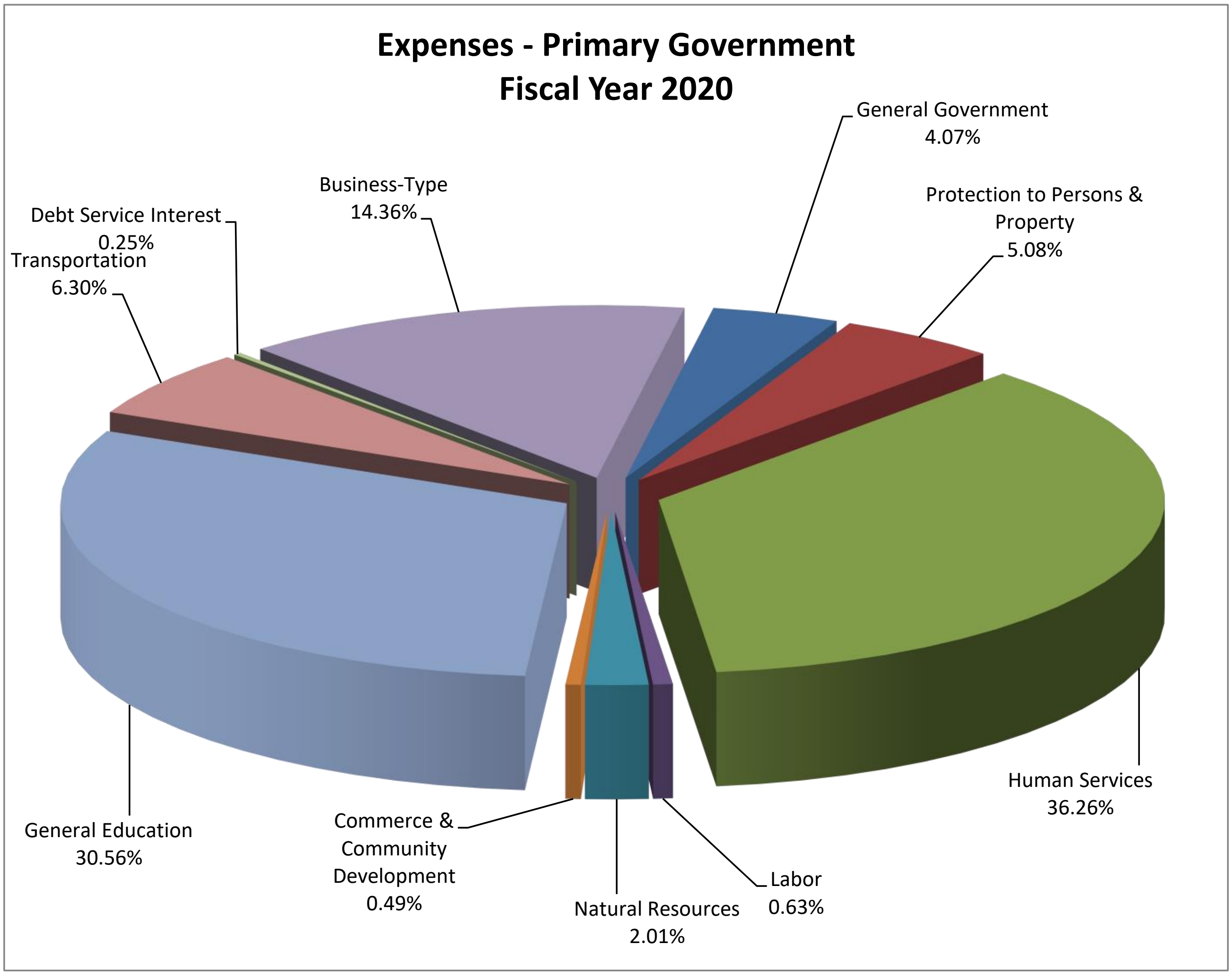
The following graph illustrates the revenues of Vermont's primary government for fiscal year 2020. Approximately 39.6% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 29.2% of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2020. The largest category of expense is for human services (36.3% of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (30.6% of total expenses) which supports secondary and higher education.

(Chart on next page.)



Governmental Activities

In 2020, governmental activities' expenses exceeded revenues by $164.2 million (before transfers), the net transfers of $51.7 million from business activities resulted in a decrease of $112.5 million, for a 18.8% increase in deficit net position. Revenues increased by $284.2 million, primarily due to an increase in program revenues ($376.4 million), offset by a decrease in general revenues ($92.2 million). Spending increased for human services ($151.5 million), general government ($142.3 million), general education ($110.2 million), protection to persons and property ($51.0 million), labor ($15.5 million), transportation ($7.2 million), and natural resources ($5.4 million); offset by a decrease in spending in commerce and community development ($5.4 million).

The following table provides a two-year comparison of governmental activities revenues:

(Table on next page.)

TABLE 4

Revenues - Governmental Activities

Revenue Type	2020 (In Millions)	2019 (In Millions)	Change (In Millions)
Charges for services	$ 546.4	$ 434.6	$ 111.8
Operating grants	2,116.2	1,860.7	255.5
Capital grants	184.3	175.2	9.1
Income taxes	954.9	1,045.4	(90.5)
Sales and use taxes	439.1	416.8	22.3
Statewide education tax	1,144.1	1,105.5	38.6
Meals and rooms tax	158.4	184.6	(26.2)
Other taxes	617.8	653.7	(35.9)
Miscellaneous	29.8	30.3	(0.5)
Total	$ 6,191.0	$ 5,906.8	$ 284.2

The following table provides a two-year comparison of governmental activities expenses:

TABLE 5

Expenses - Governmental Activities

Functional Category	2020 (In Millions)	2019 (In Millions)	Change (In Millions)
General government	$ 302.0	$ 159.7	$ 142.3
Protection to persons and property	377.0	326.0	51.0
Human services	2,690.5	2,539.0	151.5
Labor	46.6	31.1	15.5
General education	2,267.4	2,157.2	110.2
Natural resources	149.2	143.8	5.4
Commerce and community development	36.4	41.8	(5.4)
Transportation	467.8	460.6	7.2
Interest on long-term debt	18.3	17.8	0.5
Total	$ 6,355.2	$ 5,877.0	$ 478.2

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2020, program revenues covered $2.847 billion or 44.8% of $6.355 billion in program expenses. The remaining $3.508 billion or 55.2% of program expenses was paid for by state taxes and other general revenue.

(Table on next page.)

TABLE 6
Net Program Revenue
For the years ended June 30, 2020 and 2019

	Program Expenses	Less Program Revenues	Net Program (Expense)/Revenue		Program Revenues as a Percentage of Program Expenses	
	2020	2020	2020	2019	2020	2019
Functions/programs						
General government	$ 301,976,723	$ 343,700,581	$ 41,723,858	$ (104,482,547)	113.8%	27.5%
Protection to persons and property	376,982,613	229,228,112	(147,754,501)	(108,536,109)	60.8%	65.1%
Human services	2,690,565,030	1,583,062,491	(1,107,502,539)	(1,027,433,628)	58.8%	59.7%
Labor	46,572,613	29,086,723	(17,485,890)	1,331,930	62.5%	122.5%
General education	2,267,430,111	147,040,942	(2,120,389,169)	(2,021,232,305)	6.5%	6.3%
Natural resources	149,165,703	91,667,663	(57,498,040)	(37,973,594)	61.5%	72.7%
Commerce and community development	36,434,112	11,006,782	(25,427,330)	(31,022,470)	30.2%	35.2%
Transportation	467,780,974	411,251,410	(56,529,564)	(60,474,929)	87.9%	94.9%
Interest on long-term debt	18,346,420	850,370	(17,496,050)	(16,719,367)	4.6%	6.0%
	$ 6,355,254,299	$ 2,846,895,074	$ (3,508,359,225)	$ (3,406,543,019)	44.8%	43.1%

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by legislative mandates as well as externally imposed restrictions.

Governmental Funds
The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unrestricted (unassigned, assigned, and committed) fund balances may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2020, the unrestricted fund balance is 45.5% of the total fund balance of governmental funds, which is available for spending on governmental programs at Vermont's discretion in the coming year. The remainder of this fund balance is restricted or non-spendable to indicate that it is not available for appropriation, such as the principal of Vermont's Permanent Funds, and other items that are non-spendable, such as advances and long-term receivables. At the end of fiscal year 2020, Vermont's governmental funds reported combined fund balances of $1.095 billion, an increase of $38.7 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2020, the General Fund's total fund balance was $264.5 million. The fund balance was made up of non-spendable amounts totaling $56.6 million, and available amounts totaling $207.9 million of which $195.5 million is unassigned. During 2020, total revenues and other financing sources were greater than total expenditures and other financing uses by $51.7 million.

General Fund revenues decreased by $62.8 million, or 3.84%, primarily due to a $58.2 million decrease in taxes. Expenditures decreased by $29.0 million or 2.8%, primarily due to a $25.4 million decrease in general government, $7.8 million decrease in general education, $1.6 million increase in protection to persons and property, and $1.5 million increase in natural resources. The General Fund's statutory reserve for budgetary stabilization increased by $1.6 million to $79.8 million, the statutory maximum.

The Transportation Fund's total fund balance was $5.6 million at June 30, 2020, a decrease of $28.0 million from the fiscal year 2019's ending total fund balance. Transportation Fund revenues decreased $8.8 million or 1.55%, primarily due to a decrease in motor fuel tax ($13.1 million), purchase and use tax ($4.5 million), other taxes ($2.7 million), fees ($3.1 million), and non-business licenses ($3.7 million); offset by increases in federal grant funding ($19.3 million) for transportation related projects. Transportation expenditures increased $28.0 million for transportation related projects. The Transportation Fund's statutory reserve for budget stabilization increased by

$258.8 thousand to $14.1 million, the statutory maximum.

The Education Fund at June 30, 2020 had a total fund balance of $96.2 million, an decrease of $7.3 million from fiscal year 2019's ending balance. Education fund expenditures increased by $58.7 million, primarily due to an increase in grants to school districts of $60.3 million. Revenues from the statewide education tax increased $38.5 million, sales and use taxes increased $21.8 million, meals and rooms taxes decreased $6.1 million, and purchase and use tax decreased $2.3 million. The Education Fund's statutory reserve for budget stabilization decreased $4.0 million to $33 million.

The Special Fund's total fund balance at the end of fiscal year 2020 was $167 million, a decrease of 7.4% compared to 2019. The Special Fund's total fund balance is comprised of $18.6 million as restricted, $148.0 million as committed and assigned. Special Fund revenues decreased $4.1 million or 1.42%, and expenditures increased $7.5 million or 3.0%. The increase in expenditures was primarily in the protection to persons and property function ($6.3 million) and natural resources ($4.0 million); offset by a decrease in human services function ($1.2 million). This resulted in a decrease in "excess of revenues over expenditures" of $11.5 million from last fiscal year. Fiscal year 2020 transfers out to other funds exceeded transfers in from other funds by $39.6 million. The Special Fund received transfers in of $68.7 million, in part, consisting of Federal Revenue Fund monies for the earned income tax credit ($18.6 million); earned federal receipts ($15.4 million); matching funds for school-based Medicare services ($27.2 million); and $1.5 million from General Fund for Tobacco Litigation funding, $1.5 million for Emergency Relief and Assistance funding and $955 thousand for broadband connectivity funding. Transfers out of $108.4 million consisted primarily of $40.9 million for Securities, Insurance, & Captive Funds to the General Fund; $3.8 million to the General Fund for Attorney General Fees and reimbursements; $2.7 million for Bond Investment Earnings and $2.8 million from the Secretary of State Services fund; $45.5 million to Global Commitment fund; $10.6 million in reimbursed Medicaid funds and $1.9 million from the Education Financial Systems fund to the Education Fund.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Global Commitment to Health Medicaid waiver (which are included in the Global Commitment Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2020 were $992.5 million, an increase of $222 million compared to fiscal year 2019's federal grant revenues. Expenditures were $956.7 million in fiscal year 2020, an increase of $231.3 million compared to 2019. The Federal Revenue Fund's total fund balance at the end of fiscal year 2020 ($472.7 million) was a decrease of $5.1 million as compared to the total fund balance at the end of fiscal year 2019.

The fiscal year 2020 ending total fund balance for the Global Commitment Fund was $29.1 million, an increase of $2.7 million. Total revenues and net transfers of $1,542.6 million exceeded expenditures by $2.7 million.

See Note I, Section C for more information regarding these funds.

Proprietary Funds

Vermont's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net position balance decreased from $516.3 million at June 30, 2019 to $382.2 million at June 30, 2020, a decrease of $134.1 million. Expenditures from the fund for unemployment benefits increased by $736.8 million from 2019.

Vermont's *internal service funds'* total net position at June 30, 2020 was $72.5 million, a $31.4 million increase from June 30, 2019. This change is primarily due to increases in net position of $21.2 million in the Medical Insurance fund, Communication & Information Technology fund ($5.4 million), State Liability fund ($3.1 million), and Highway Garage fund ($1.0 million); offset by a decrease in the Workers Compensation fund of $2.1 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds
Vermont's fiduciary funds account for resources held for the benefit of parties outside state government. The Pension and Other Postemployment Benefit Trust Funds' net position increased by 2.97% percent to $4.86 billion at June 30, 2020. For more information regarding the Vermont's retirement and other postemployment benefit plans, see Note IV.G.4 to the financial statements. The Unclaimed Property fund's total assets balance at June 30, 2020 is $15.3 million, and total liabilities balance is $9.2 million, including the escheat property claims liability estimated at $9.2 million, resulting in ending net position of $6.1 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2020 with General Fund revenues of $1.459 billion, expenditures of $1.520 billion, and net transfers to other funds of $73.6 million (non-GAAP budgetary basis). This was a $153 million decrease in revenues over the previous year. The fiscal year 2020 General Fund consensus revenue forecast initially approved by the Emergency Board in July 2019 was subsequently revised upward by the Emergency Board at their January 2020 meeting. Compared to target, the revenues were 7.4% below the July 2019 revenue forecast of $1,576 million, and 8.49% below the January 2020 revised revenue forecast of $1,595 million. Personal income tax receipts were $129.7 million below target, meals and rooms tax below budget by $20.1 million, estate tax receipts were $5.7 million below target and corporate income tax receipts were $20.4 million above target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $79.8 million, representing the statutory maximum of 5% of the prior year appropriations level.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
Vermont's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2020 was $3.164 billion, a total increase of 2.5% (Table 7). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. Additional information on Vermont's capital assets can be found in Note IV.E of the notes to the financial statements.

TABLE 7
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land, Land Use Rights, and Land Improvements	$ 161,052	$ 155,710	$ -	$ -	$ 161,052	$ 155,710
Construction in Progress	675,571	665,972	-	-	675,571	665,972
Works of Art	136	136	-	-	136	136
Buildings and Improvements	430,745	440,947	-	-	430,745	440,947
Machinery and Equipment	207,595	248,243	4,071	4,373	211,666	252,616
Infrastructure	1,684,415	1,572,277	-	-	1,684,415	1,572,277
Totals	$ 3,159,514	$ 3,083,285	$ 4,071	$ 4,373	$ 3,163,585	$ 3,087,658

Totals may not add due to rounding.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by Vermont, but the assets are actually owned by these other entities. Therefore, these capital assets are recorded on the financial statements of those entities and not on the books of the state; however, the general obligation bonds issued by Vermont to finance these capital assets are reported as a liability of the state's governmental activities. At June 30, 2020, Vermont had $224.4 million of general obligation bonds outstanding related to capital assets of these other entities.

Debt Administration

Bonded Indebtedness

Vermont has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the state. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State of Vermont, including the state's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2020, the State of Vermont's outstanding general and special obligation bond debt increased by approximately $27.3 million. This increase can be accounted for by the issuance of general obligation bonds of $127.8 million; offset by the redemption of general obligation bonds of $98.8 million and $1.7 million in special obligation bonds. Additional information on Vermont's bonded debt is contained in Note IV.G.1 of the notes to the financial statements.

Vermont's general obligation bond ratings are as follows: Aa1 by Moody's Investor Service (since October 2018), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since July 2019).

ECONOMIC OUTLOOK AND STATE REVENUE OUTLOOK

Vermont's economy started the fiscal year reflecting a steady but a still improving outlook. In calendar year 2019, the national economy as measured by current-dollar Gross Domestic Product (GDP) grew by 4.0 percent, while Vermont's current-dollar Gross State Product (GSP) grew at 3.1 percent, slightly lower than the national rate. Vermont faces demographic challenges to labor market growth contributing to the state's economy being forecasted to grow at a rate slightly lower than the national rate. In January 2020, the first case of coronavirus (COVID-19) in the U.S. was confirmed, with concern growing over the spread of COVID-19 the U.S. declared a public health emergency in February 2020. In March 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic, the U.S. declared a national emergency, and Vermont's Governor declared a state of emergency in response to COVID-19. In Vermont and across the nation, mitigation actions such as the closure of non-essential businesses, school closings, limits on gatherings, and stay at home orders were used in an effort to control the severe public health crisis. These actions, while necessary to help contain the spread of the virus, had a severe impact on economic activity. The COVID-19 pandemic drove the economy into recession, ending the nation's longest economic expansion.

Vermont's labor market was strong at the beginning of fiscal year with an unemployment rate of 2.4 percent (seasonally adjusted), one of the lowest in the nation at the time. The U.S. national unemployment rate was 3.7 percent in comparison. The mitigation actions in response to the COVID-19 pandemic that forced limits on economic activity had a severe impact on the labor markets, and by April, Vermont's unemployment rate jumped to 16.5 percent. As Vermont slowly reopened its economy, the unemployment rate improved to 9.5 percent in June 2020, the end of the fiscal year.

Vermont's housing market has steadily strengthened during the fiscal year. Recently Vermont's housing market has benefited from out of state buyers seeking a safe haven from more urban areas. Vermont's home price growth is forecasted to grow at a higher rate than the U.S. national average.

Vermont establishes a consensus revenue forecast each July and January. Due to delays related to the COVID-19 pandemic, the consensus revenue forecast was delivered in August 2020. The August 2020 consensus revenue forecast for the General Fund is $1,413.9 million, which is a $182.4 million downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $1,596.3 million. For fiscal year 2022, the General Fund forecast is for a downgrade to $1,508.0 million, from last January's revenue forecast of $1,611.8 million. The August 2020 consensus revenue forecast for the Transportation Fund is $258.6 million, which is a 10.2 percent downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $287.9 million. For fiscal year 2022, the Transportation Fund forecast is a downgrade to $275.7 million, from last January's revenue forecast of $291.2 million. The August 2020 consensus revenue forecast for the Education Fund is $511.6 million, which is a 10.9 percent downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $574.3 million. For fiscal year 2022, the Education Fund forecast is for a downgrade to $552.1 million, from last January's revenue forecast of $590.9 million. The assumptions used in the forecasts are subject to a higher than normal level of uncertainty due to COVID-19.

Vermont's three major funds with forecasted revenue were impacted by the COVID-19 pandemic and the associated delay in tax filing deadlines, which caused certain tax receipts normally received prior to fiscal year-end, to be collected in July and August. On the budgetary basis, total fiscal year 2020 revenues across all three major funds ended the year about 7.3 percent below the prior January consensus revenue forecast, with the General Fund down about 8.5 percent, the Transportation Fund down about 7.2 percent and the Education Fund 3.8 percent below target. The personal income tax revenue related to the delay in tax filing deadlines came in stronger than expected in July and August 2020. While on a budgetary basis this is included as part of fiscal year 2021 revenues, this revenue is accrued in the fiscal year 2020 General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance under the modified accrual basis of accounting.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

Component units of the State of Vermont issue their own financial statements. These statements may be obtained by directly contacting them at the addresses found in Note I to the financial statements.

BASIC FINANCIAL STATEMENTS

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GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,685,707,929	$ 524,165,107	$ 2,209,873,036	$ 326,637,933
Cash and cash equivalents - restricted	-	-	-	77,418,335
Taxes receivable, net	234,378,565	24,298,640	258,677,205	-
Loans and notes receivable, net	29,801,850	491,657	30,293,507	201,323,227
Federal grants receivable	267,718,220	6,822,919	274,541,139	9,602,638
Other receivables, net	57,256,459	36,867,029	94,123,488	86,184,993
Investments	180,851,734	-	180,851,734	267,511,879
Inventories	2,929,356	9,590,497	12,519,853	358,483
Internal balances	3,452,964	(3,452,964)	-	-
Receivable from primary government	-	-	-	4,476,976
Receivable from component units	2,067,410	-	2,067,410	-
Other current assets	4,902,343	-	4,902,343	20,252,708
Total current assets	2,469,066,830	598,782,885	3,067,849,715	993,767,172
Noncurrent Assets				
Cash and equivalents	-	-	-	7,244,686
Cash and cash equivalents - restricted	-	-	-	83,311,874
Taxes receivable	121,170,149	-	121,170,149	-
Other receivables	42,735,591	-	42,735,591	-
Loans and notes receivable	257,447,736	998,946	258,446,682	1,787,142,825
Receivable from component units	5,500,000	-	5,500,000	-
Investments	-	776,869	776,869	1,002,391,685
Investments - restricted	-	-	-	90,990,503
Other noncurrent assets	-	-	-	24,592,245
Capital assets				
Land	161,052,475	-	161,052,475	52,935,134
Construction in progress	675,570,981	-	675,570,981	46,545,678
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	2,945,113,962	-	2,945,113,962	41,568,376
Property, plant and equipment	1,339,754,264	5,832,241	1,345,586,505	1,584,573,078
Less accumulated depreciation	(1,962,114,119)	(1,761,419)	(1,963,875,538)	(833,682,105)
Total capital assets, net of depreciation	3,159,513,566	4,070,822	3,163,584,388	891,940,161
Total noncurrent assets	3,586,367,042	5,846,637	3,592,213,679	3,887,613,979
Total assets	6,055,433,872	604,629,522	6,660,063,394	4,881,381,151
DEFERRED OUTFLOW OF RESOURCES				
Loss on refunding of bonds payable	5,121,630	-	5,121,630	37,628,361
Interest rate swap	-	-	-	670,000
VHCB related deferred outflows	-	-	-	32,859,000
Pension related outflows	499,468,857	1,736,225	501,205,082	4,735,948
OPEB related outflows	205,208,534	585,858	205,794,392	74,589,101
Total deferred outflow of resources	709,799,021	2,322,083	712,121,104	150,482,410

The accompanying notes are an integral part of these financial statements.

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	388,536,211	63,617,176	452,153,387	203,705,479
Income tax refunds payable	105,683,012	-	105,683,012	-
Payable to primary government	-	-	-	2,067,410
Payable to component units	4,476,976	-	4,476,976	-
Intergovernmental payable - due to federal government	8,924,784	-	8,924,784	-
Accrued interest payable	8,927,824	-	8,927,824	6,060,615
Current portion of long-term liabilities	146,491,547	7,613,379	154,104,926	169,002,916
Unearned revenue	1,104,737,613	121,756,698	1,226,494,311	178,451,617
Total current liabilities	1,767,777,967	192,987,253	1,960,765,220	559,288,037
Long-term Liabilities				
Lottery prize awards payable	-	476,340	476,340	-
Bonds, notes and leases payable	620,520,758	-	620,520,758	2,394,773,928
Payable to primary government	-	-	-	5,500,000
Compensated absences	2,238,249	49,332	2,287,581	-
Claims and judgments	35,733,476	-	35,733,476	-
Net pension liabilities	2,382,334,113	5,444,250	2,387,778,363	14,187,745
Net other postemployment benefits liabilities	2,232,349,430	4,779,360	2,237,128,790	736,446,068
Other long-term liabilities	14,043,764	4,489,439	18,533,203	32,165,201
Total long-term liabilities	5,287,219,790	15,238,721	5,302,458,511	3,183,072,942
Total liabilities	7,054,997,757	208,225,974	7,263,223,731	3,742,360,979
DEFERRED INFLOW OF RESOURCES				
Deferred lease revenue	-	-	-	2,655,000
Gain on refunding of bonds payable	28,376	-	28,376	15,322,000
Service concession arrangement	-	-	-	1,312,000
Split interest arrangements	-	-	-	3,250,000
Pension related inflows	24,066,887	540,997	24,607,884	709,089
OPEB related inflows	397,284,129	6,213,828	403,497,957	44,741,892
Total deferred inflow of resources	421,379,392	6,754,825	428,134,217	67,989,981
NET POSITION				
Net investment in capital assets	2,750,187,692	4,070,821	2,754,258,513	213,681,509
Restricted for				
Unemployment compensation	-	382,204,685	382,204,685	-
Funds held in permanent investments				
Expendable	109,954	-	109,954	421,634,185
Nonexpendable	7,416,453	-	7,416,453	263,722,254
General government	999,522	-	999,522	14,886,445
Protection to persons and property	11,351,558	8,467,648	19,819,206	-
Human services	62,500,265	-	62,500,265	1,760,778
Labor	7,745,862	-	7,745,862	-
General education	1,814,493	-	1,814,493	108,832,000
Natural resources	427,831,333	-	427,831,333	-
Commerce and community development	5,834,582	-	5,834,582	405,355,343
Debt service	3,211,004	-	3,211,004	-
Unrestricted (deficit)	(3,990,146,974)	(2,772,348)	(3,992,919,322)	(208,359,913)
Total net position	$ (711,144,256)	$ 391,970,806	$ (319,173,450)	$ 1,221,512,601

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government	$ 301,976,723	$ 188,168,682	$ 155,531,899	$ -
Protection to persons and property	376,982,613	150,340,793	78,887,319	-
Human services	2,690,565,030	24,990,677	1,558,071,814	-
Labor	46,572,613	4,780,805	24,305,918	-
General education	2,267,430,111	4,090,384	142,950,558	-
Natural resources	149,165,703	49,327,691	42,339,972	-
Commerce and community development	36,434,112	2,388,063	8,610,719	8,000
Transportation	467,780,974	122,269,214	104,653,089	184,329,107
Interest on long-term debt	18,346,420	-	850,370	-
Total governmental activities	6,355,254,299	546,356,309	2,116,201,658	184,337,107
Business-type activities				
State Lottery	109,966,739	137,388,381	-	-
Liquor Control	71,571,507	91,117,540	-	-
Unemployment Compensation	801,125,474	120,163,576	535,114,850	-
Other	82,829,671	75,383,344	-	-
Total business-type activities	1,065,493,391	424,052,841	535,114,850	-
Total primary government	$ 7,420,747,690	$ 970,409,150	$ 2,651,316,508	$ 184,337,107
Component Units				
Vermont Student Assistance Corporation	$ 69,516,000	$ 41,478,000	$ 32,885,000	$ -
University of Vermont and State Agricultural College	743,797,000	459,857,000	299,263,000	1,490,000
Vermont State Colleges	187,586,982	105,769,711	78,773,500	2,479,815
Vermont Housing Finance Agency	25,519,000	26,016,000	3,063,000	-
Other	87,429,590	59,446,133	12,912,768	5,052,946
Total component units	$ 1,113,848,572	$ 692,566,844	$ 426,897,268	$ 9,022,761

General Revenues
Taxes
Personal and corporate income
Sales and use
Meals and rooms
Purchase and use
Motor fuel
Statewide education
Other taxes

Total taxes
Investment earnings
Tobacco litigation settlement
Miscellaneous
Additions to non-expendable endowments
Transfers

Total general revenues and transfers

Changes in net position

Net Position - Beginning, as restated

Net Position - Ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
$ 41,723,858	$ -	$ 41,723,858	$ -
(147,754,501)	-	(147,754,501)	-
(1,107,502,539)	-	(1,107,502,539)	-
(17,485,890)	-	(17,485,890)	-
(2,120,389,169)	-	(2,120,389,169)	-
(57,498,040)	-	(57,498,040)	-
(25,427,330)	-	(25,427,330)	-
(56,529,564)	-	(56,529,564)	-
(17,496,050)	-	(17,496,050)	-
(3,508,359,225)	-	(3,508,359,225)	-
-	27,421,642	27,421,642	-
-	19,546,033	19,546,033	-
-	(145,847,048)	(145,847,048)	-
-	(7,446,327)	(7,446,327)	-
-	(106,325,700)	(106,325,700)	-
(3,508,359,225)	(106,325,700)	(3,614,684,925)	-
-	-	-	4,847,000
-	-	-	16,813,000
-	-	-	(563,956)
-	-	-	3,560,000
-	-	-	(10,017,743)
-	-	-	14,638,301
954,939,552	-	954,939,552	-
439,103,169	-	439,103,169	-
158,422,153	-	158,422,153	-
105,054,814	-	105,054,814	-
66,363,821	-	66,363,821	-
1,144,067,944	-	1,144,067,944	-
446,408,930	-	446,408,930	10,804,840
3,314,360,383	-	3,314,360,383	10,804,840
5,231,013	12,075,904	17,306,917	31,545,637
23,993,500	-	23,993,500	-
528,092	11,296	539,388	1,694,346
-	-	-	1,617,785
51,651,845	(51,651,845)	-	-
3,395,764,833	(39,564,645)	3,356,200,188	45,662,608
(112,594,392)	(145,890,345)	(258,484,737)	60,300,909
(598,549,864)	537,861,151	(60,688,713)	1,161,211,692
$ (711,144,256)	$ 391,970,806	$ (319,173,450)	$ 1,221,512,601

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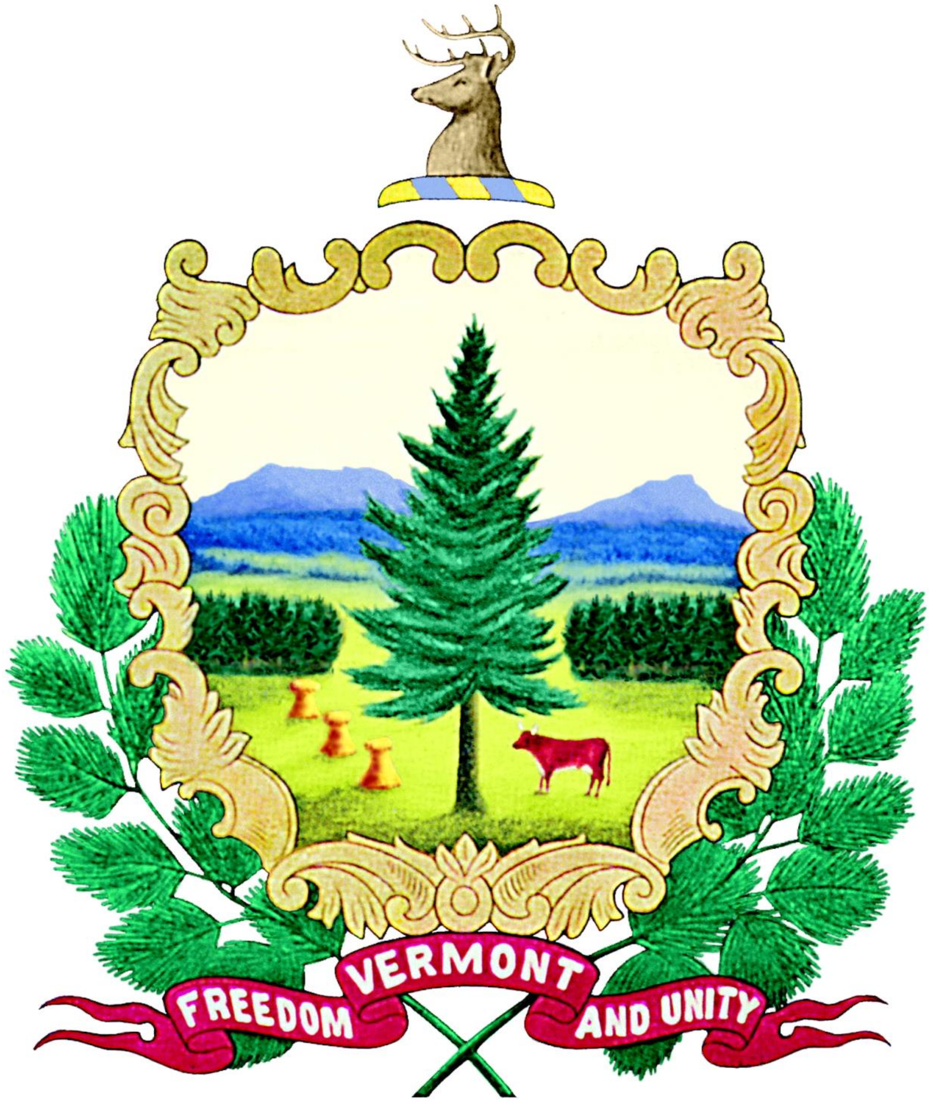

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 205,577,334	$ 3,076,010	$ 68,454,035	$ 174,504,549
Investments	-	-	-	3,765,780
Receivables				
Taxes receivable, net	292,534,100	346,618	60,955,857	1,711,462
Accrued interest receivable	163,254	71,995	-	5,550
Notes and loans receivable	19,838,708	1,473,593	-	7,747,754
Other receivables, net	11,927,653	10,317,728	1,978,958	24,208,811
Intergovernmental receivables - federal government, net	-	35,060,471	-	-
Due from other funds	3,772,477	23,079	391,754	4,956,309
Due from component units	2,067,410	-	-	-
Interfund receivable	63,669,451	5,077,613	-	-
Advances to other funds	300,075	-	-	-
Advances to component units	5,500,000	-	-	-
Other assets	-	-	-	1,637,000
Total assets	$ 605,350,462	$ 55,447,107	$ 131,780,604	$ 218,537,215
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 22,826,694	$ 25,217,018	$ 24,747,451	$ 17,068,030
Accrued liabilities	26,317,042	7,569,915	-	6,793,865
Retainage payable	266,201	81,594	-	562,966
Due to other funds	70,889,145	6,987,866	33,000	7,744,357
Due to component units	412,500	-	-	-
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	34,972,916	-	216,711	713
Interfund payable	51,183,289	-	-	-
Unearned revenue	6,788,047	23,937	-	349,879
Total liabilities	213,655,834	39,880,330	24,997,162	32,519,810
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	127,225,645	10,006,077	10,619,080	19,413,266
Total deferred inflow of resources	127,225,645	10,006,077	10,619,080	19,413,266
FUND BALANCES				
Nonspendable				
Advances	5,800,075	-	-	-
Long-term receivables	50,807,657	-	-	-
Permanent fund principal	-	-	-	-
Restricted	-	-	-	18,593,629
Committed	-	5,560,700	96,164,362	145,397,097
Assigned	12,403,439	-	-	2,613,413
Unassigned	195,457,812	-	-	-
Total fund balances	264,468,983	5,560,700	96,164,362	166,604,139
Total liabilities, deferred inflows and fund balances	$ 605,350,462	$ 55,447,107	$ 131,780,604	$ 218,537,215

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 1,089,659,664	$ -	$ 31,570,281	$ -	$ 1,572,841,873
134,908,818	-	42,177,136	-	180,851,734
-	-	677	-	355,548,714
67,697	-	-	-	308,496
254,130,489	-	-	-	283,190,544
1,356,650	34,135,820	51,571	-	83,977,191
151,835,880	80,821,869	-	-	267,718,220
2,164,772	67,598,747	-	(77,335,297)	1,571,841
-	-	-	-	2,067,410
51,183,289	-	-	-	119,930,353
-	-	-	-	300,075
-	-	-	-	5,500,000
-	-	-	-	1,637,000
$ 1,685,307,259	$ 182,556,436	$ 73,799,665	$ (77,335,297)	$ 2,875,443,451
$ 80,622,005	$ 144,715,329	$ 5,999,105	$ -	$ 321,195,632
12,500,742	1,795,768	1,112,001	-	56,089,333
483,462	-	869,618	-	2,263,841
13,031,197	2,138,287	1,068,702	(77,335,297)	24,557,257
-	-	4,064,476	-	4,476,976
8,924,784	-	-	-	8,924,784
-	-	-	-	35,190,340
-	10,800	-	-	51,194,089
1,096,877,878	-	26,999	-	1,104,066,740
1,212,440,068	148,660,184	13,140,901	(77,335,297)	1,607,958,992
162,736	4,837,492	5,710	-	172,270,006
162,736	4,837,492	5,710	-	172,270,006
-	-	-	-	5,800,075
-	-	-	-	50,807,657
-	-	7,416,453	-	7,416,453
472,704,455	29,058,760	12,409,830	-	532,766,674
-	-	40,826,996	-	287,949,155
-	-	-	-	15,016,852
-	-	(225)	-	195,457,587
472,704,455	29,058,760	60,653,054	-	1,095,214,453
$ 1,685,307,259	$ 182,556,436	$ 73,799,665	$ (77,335,297)	$ 2,875,443,451

STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2020

Total fund balances from previous page	$ 1,095,214,453
Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds [1]	3,102,713,977
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position	72,299,344
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting [1]	460,689,635
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore are not reported in the funds [1]	(5,442,061,665)
Net position of governmental activities	$ (711,144,256)

[1] Additional information on these amounts can be found in Note II. A.

The accompanying notes are an integral part of these financial statements.

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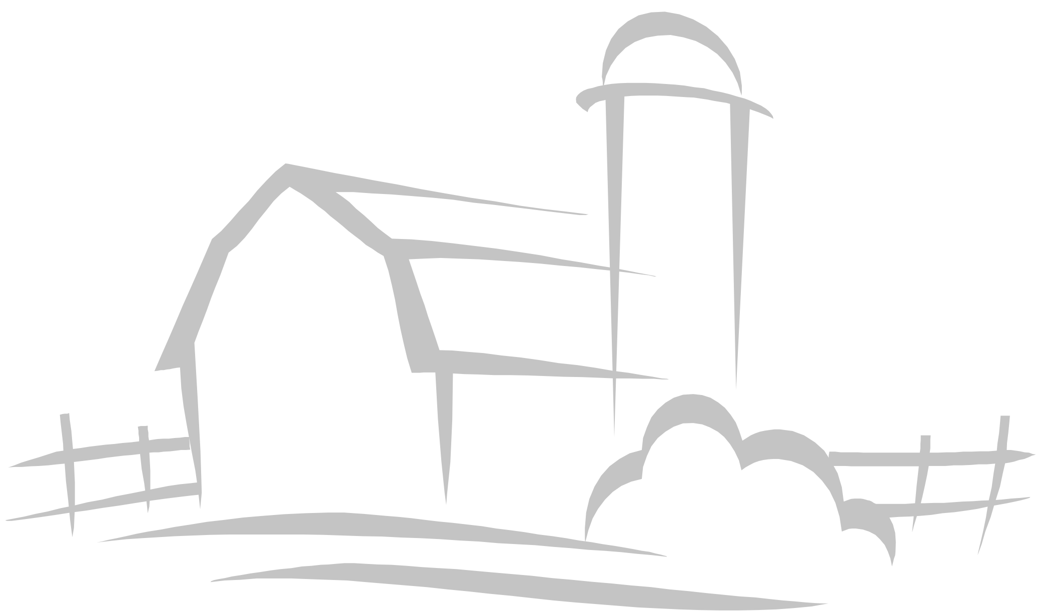

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 853,606,595	$ -	$ -	$ 1,173,340
Corporate income tax	138,185,464	-	-	739,561
Sales and use tax	-	-	439,421,558	-
Meals and rooms tax	112,506,427	-	39,708,903	7,229,465
Motor fuels tax	-	64,367,133	-	1,230,004
Purchase and use tax	-	70,041,735	35,012,197	-
Statewide education tax	-	-	1,144,067,944	-
Other taxes	381,655,051	17,853,662	2,295,969	43,865,195
Earnings of departments				
Fees	44,706,000	20,102,073	-	85,469,543
Rents and leases	-	2,176,151	-	3,875,445
Sales of services	2,513,153	4,573	-	9,626,556
Federal grants	-	288,970,116	-	-
Fines, forfeits and penalties	4,885,911	3,766,381	-	13,558,106
Investment income	3,280,184	389,888	838,313	2,081,067
Licenses				
Business	1,143,327	614,742	-	29,550,768
Non-business	62,175	90,379,875	-	2,732,778
Special assessments	20,132,207	-	-	8,755,084
Other revenues	7,126,333	2,363,234	-	72,841,813
Total revenues	1,569,802,827	561,029,563	1,661,344,884	282,728,725
EXPENDITURES				
General government	92,770,233	3,759,395	143,446	13,486,274
Protection to persons and property	163,006,133	20,028,937	-	87,266,933
Human services	434,659,642	-	-	71,559,459
Labor	3,995,159	-	-	3,657,039
General education	252,702,652	-	1,708,571,754	18,049,967
Natural resources	30,183,250	-	-	53,371,521
Commerce and community development	17,147,249	-	-	5,550,018
Transportation	-	559,875,150	-	3,832,988
Capital outlay	-	-	-	-
Debt service	174,663	-	-	-
Total expenditures	994,638,981	583,663,482	1,708,715,200	256,774,199
Excess of revenues over (under) expenditures	575,163,846	(22,633,919)	(47,370,316)	25,954,526
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	-	-
Premium from the issuance of bonds	5,279,530	-	-	-
Issuance of refunding bonds	39,202,429	-	-	322,571
Payment to bond escrow agent	(44,375,000)	-	-	-
Transfers in	89,588,011	-	40,051,899	68,730,385
Transfers out	(613,172,426)	(5,325,113)	-	(108,369,697)
Total other financing sources (uses)	(523,477,456)	(5,325,113)	40,051,899	(39,316,741)
Net change in fund balances	51,686,390	(27,959,032)	(7,318,417)	(13,362,215)
Fund balances, July 1,	212,782,593	33,519,732	103,482,779	179,966,354
Fund balances, June 30	$ 264,468,983	$ 5,560,700	$ 96,164,362	$ 166,604,139

The accompanying notes are an integral part of these statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 854,779,935
-	-	-	-	138,925,025
-	-	-	-	439,421,558
-	-	-	-	159,444,795
-	-	745,853	-	66,342,990
-	-	-	-	105,053,932
-	-	-	-	1,144,067,944
-	-	-	-	445,669,877
-	-	173,096	-	150,450,712
-	-	64,314	-	6,115,910
-	-	-	-	12,144,282
992,495,135	983,636,200	8,159,372	-	2,273,260,823
-	-	11,929	-	22,222,327
3,389,211	-	2,584,996	-	12,563,659
-	-	795	-	31,309,632
-	-	8,320,650	-	101,495,478
-	-	-	-	28,887,291
2,079,026	13,839,750	1,359,922	-	99,610,078
997,963,372	997,475,950	21,420,927	-	6,091,766,248
6,387,030	-	-	-	116,546,378
90,009,430	-	-	-	360,311,433
602,241,482	1,537,174,774	25,000	-	2,645,660,357
38,633,285	-	-	-	46,285,483
169,300,118	2,645,164	1,527,166	-	2,152,796,821
39,207,758	-	17,782,306	-	140,544,835
9,229,606	-	-	-	31,926,873
1,705,759	-	-	-	565,413,897
-	-	58,937,700	-	58,937,700
-	-	80,321,422	-	80,496,085
956,714,468	1,539,819,938	158,593,594	-	6,198,919,862
41,248,904	(542,343,988)	(137,172,667)	-	(107,153,614)
-	-	88,255,000	-	88,255,000
-	-	11,634,361	-	16,913,891
-	-	-		39,525,000
-	-	-		(44,375,000)
5,847,787	572,330,657	80,997,981	(805,894,875)	51,651,845
(52,155,757)	(27,239,463)	(5,736,748)	805,894,875	(6,104,329)
(46,307,970)	545,091,194	175,150,594	-	145,866,407
(5,059,066)	2,747,206	37,977,927	-	38,712,793
477,763,521	26,311,554	22,675,127	-	1,056,501,660
$ 472,704,455	$ 29,058,760	$ 60,653,054	$ -	$ 1,095,214,453

STATE OF VERMONT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances from the previous page	**$ 38,712,793**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (net of internal service funds) [1]	77,305,325
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position [1]	100,510,000
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position [1]	(138,330,086)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds	(36,267,956)
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities	(2,565,762)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds [1]	(183,198,167)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	31,239,461
Total changes in net position of governmental activities as reported on the statement of activities	**$ (112,594,392)**

[1] Additional information on these amounts can be found in Note II. B.

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
ASSETS			
Current Assets			
Cash and cash equivalents	$ 502,800,076	$ -	$ 6,635,165
Receivables			
Taxes receivable, net of allowance for uncollectibles	22,676,009	-	-
Accounts receivable, net of allowance for uncollectibles	21,444,843	1,472,295	2,537,219
Loans receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	64,652	-
Intergovernmental receivables - federal government	6,822,919	-	-
Inventories, at cost	-	9,000,218	590,279
Prepaid expenses	-	-	-
Total current assets	553,743,847	10,537,165	9,762,663
Noncurrent Assets			
Investments	-	-	776,869
Loans receivable	-	-	-
Imprest cash and change fund - advances	-	75	300,000
Total noncurrent assets	-	75	1,076,869
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated/amortized:			
Machinery, equipment and buildings	-	5,625,073	207,168
Less accumulated depreciation	-	(1,564,082)	(197,337)
Total capital assets, net of depreciation	-	4,060,991	9,831
Total noncurrent and capital assets	-	4,061,066	1,086,700
Total assets	553,743,847	14,598,231	10,849,363
DEFERRED OUTFLOW OF RESOURCES			
Pension related outflows	-	1,239,744	496,481
OPEB related outflows	-	343,411	242,447
Total deferred outflow of resources	-	1,583,155	738,928

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 14,429,791	$ -	$ 523,865,032	$ 109,665,614
1,622,631	-	24,298,640	-
11,404,471	-	36,858,828	24,739,199
491,657	-	491,657	770,978
8,201	-	8,201	-
84,302	(84,302)	64,652	25,360,817
-	-	6,822,919	-
-	-	9,590,497	2,929,356
-	-	-	3,265,343
28,041,053	(84,302)	602,000,426	166,731,307
-	-	776,869	-
998,946	-	998,946	3,288,064
-	-	300,075	3,200,442
998,946	-	2,075,890	6,488,506
-	-	-	26,156
-	-	-	4,064,283
-	-	-	8,200
-	-	5,832,241	131,914,321
-	-	(1,761,419)	(79,213,371)
-	-	4,070,822	56,799,589
998,946	-	6,146,712	63,288,095
29,039,999	(84,302)	608,147,138	230,019,402
-	-	1,736,225	-
-	-	585,858	-
-	-	2,322,083	-

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STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
LIABILITIES			
Current Liabilities			
Accounts payable	-	6,037,188	1,085,793
Accrued salaries and benefits	-	502,109	162,481
Claims payable	42,336,168	-	-
Due to lottery winners	-	-	103,827
Due to agents	-	386,075	-
Due to other funds	84,302	858,899	405,703
Interfund payable	-	1,451,051	-
Future and unclaimed prizes payable	-	-	7,227,430
Unearned revenue	121,539,762	3,965	212,971
Capital leases payable	-	-	-
Other current liabilities	7,578,930	-	-
Total current liabilities	171,539,162	9,239,287	9,198,205
Long-term Liabilities			
Due to lottery winners	-	-	476,340
Claims payable	-	-	-
Advances from other funds	-	75	300,000
Capital leases payable	-	-	-
Net pension liabilities	-	4,039,917	1,404,333
Net other postemployment benefits liabilities	-	3,570,275	1,209,085
Other noncurrent liabilities	-	38,489	10,560
Total long-term liabilities	-	7,648,756	3,400,318
Total liabilities	171,539,162	16,888,043	12,598,523
DEFERRED INFLOW OF RESOURCES			
Pension related inflows	-	335,056	205,941
OPEB related inflows	-	4,415,208	1,798,620
Total deferred inflow of resources	-	4,750,264	2,004,561
NET POSITION			
Net investment in capital assets	-	4,060,990	9,831
Restricted for unemployment compensation benefits	382,204,685	-	-
Restricted for protection to persons and property	-	-	-
Unrestricted (deficit)	-	(9,517,911)	(3,024,624)
Total net position	$ 382,204,685	$ (5,456,921)	$ (3,014,793)

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
5,794,636	-	12,917,617	9,945,716
15,918	-	680,508	8,923,633
-	-	42,336,168	22,323,048
-	-	103,827	-
-	-	386,075	-
469,689	(84,302)	1,734,291	709,274
255,108	-	1,706,159	67,023,371
-	-	7,227,430	-
-	-	121,756,698	670,873
-	-	-	295,381
-	-	7,578,930	433,943
6,535,351	(84,302)	196,427,703	110,325,239
-	-	476,340	-
-	-	-	35,733,476
-	-	300,075	-
-	-	-	8,861,949
-	-	5,444,250	-
-	-	4,779,360	-
4,489,722	-	4,538,771	2,576,485
4,489,722	-	15,538,796	47,171,910
11,025,073	(84,302)	211,966,499	157,497,149
-	-	540,997	-
-	-	6,213,828	-
-	-	6,754,825	-
-	-	4,070,821	47,642,259
-	-	382,204,685	-
8,467,648	-	8,467,648	-
9,547,278	-	(2,995,257)	24,879,994
$ 18,014,926	$ -	391,747,897	$ 72,522,253

Adjustment to reflect the consolidation of internal service activities related to enterprise funds................................	222,909
Net Position - Business-type Activities........	$ 391,970,806

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
OPERATING REVENUES			
Charges for sales and services	$ 120,163,576	$ 84,560,408	$ -
Ticket sales	-	-	137,387,256
Rental income	-	-	-
License fees	-	1,763,350	-
Federal donated properties	-	-	-
Other operating revenues	-	4,793,782	1,125
Total operating revenues	120,163,576	91,117,540	137,388,381
OPERATING EXPENSES			
Cost of sales and services	-	54,125,849	107,046,802
Claims expenses	800,438,248	-	-
Salaries and benefits	-	4,105,755	1,638,472
Insurance premium expenses	-	56,301	4,914
Contractual services	-	1,630,809	104,535
Repairs and maintenance	-	80,936	7,620
Depreciation	-	564,438	7,659
Rental expenses	-	43,920	224,521
Utilities and property management	-	1,479,849	268,565
Non-capital equipment purchased	-	81,617	11,042
Promotions and advertising	-	58,020	536,258
Administration expenses	-	120,159	48,461
Supplies and parts	-	170,882	33,308
Distribution and postage	-	7,746	19,450
Travel	-	14,628	5,276
Other operating expenses	-	9,121,513	55,970
Total operating expenses	800,438,248	71,662,422	110,012,853
Operating income (loss)	(680,274,672)	19,455,118	27,375,528
NONOPERATING REVENUES (EXPENSES)			
Federal grants	535,114,850	-	-
Gain on disposal of capital assets	-	11,296	-
Investment income	11,736,674	-	147,034
Interest expense	-	-	-
Other nonoperating expenses	(687,226)	-	-
Total nonoperating revenues (expenses)	546,164,298	11,296	147,034
Income (loss) before other revenues, expenses, gains, losses, and transfers	(134,110,374)	19,466,414	27,522,562
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Transfers in	-	-	-
Transfers out	-	(23,000,000)	(27,522,562)
Total other revenues, expenses, gains, losses, and transfers	-	(23,000,000)	(27,522,562)
Changes in net position	(134,110,374)	(3,533,586)	-
Total net position, July 1,	516,315,059	(1,923,335)	(3,014,793)
Total net position June 30	$ 382,204,685	$ (5,456,921)	$ (3,014,793)

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 75,167,899	$ 279,891,883	$ 397,416,815
-	137,387,256	-
-	-	20,349,382
-	1,763,350	-
215,445	215,445	-
-	4,794,907	6,144,660
75,383,344	424,052,841	423,910,857
73,881,630	235,054,281	47,339,668
-	800,438,248	185,167,507
29,998	5,774,225	74,730,309
69	61,284	7,022,830
1,789,489	3,524,833	28,181,879
-	88,556	7,747,475
-	572,097	11,476,006
233	268,674	3,408,467
1,710	1,750,124	13,851,790
-	92,659	2,398,546
-	594,278	32,473
6,576,254	6,744,874	11,053,393
-	204,190	4,435,055
-	27,196	57,003
-	19,904	101,842
551,728	9,729,211	3,396,230
82,831,111	1,064,944,634	400,400,473
(7,447,767)	(640,891,793)	23,510,384
-	535,114,850	-
-	11,296	528,092
192,196	12,075,904	1,285,862
-	-	(50,737)
-	(687,226)	-
192,196	546,514,824	1,763,217
(7,255,571)	(94,376,969)	25,273,601
-	-	6,104,329
(1,129,283)	(51,651,845)	-
(1,129,283)	(51,651,845)	6,104,329
(8,384,854)	(146,028,814)	31,377,930
26,399,780	537,776,711	41,144,323
$ 18,014,926	$ 391,747,897	$ 72,522,253

Total change in net position reported above………	$ (146,028,814)
Consolidation adjustment of internal service activities related to enterprise funds…….	138,469
Change in net position - business type activities..	$ (145,890,345)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 104,177,799	$ 85,009,252	$ 137,799,619
Cash paid to suppliers for goods and services	-	(60,086,215)	(7,833,811)
Cash paid to employees for services	-	(4,380,517)	(1,779,112)
Cash paid for prizes and commissions	-	-	(99,574,773)
Cash paid to claimants	(752,901,507)	-	-
Other operating revenues	-	6,557,132	1,125
Other operating expenses	-	(9,121,513)	(55,970)
Total cash provided (used) by operating activities	(648,723,708)	17,978,139	28,557,078
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	(23,000,000)	(26,822,401)
Other nonoperating expenses	(687,226)	-	-
Interfund loans and advances	-	1,451,051	-
Federal grants	646,145,346	-	-
Net cash provided (used) by noncapital financing activities	645,458,120	(21,548,949)	(26,822,401)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(281,921)	-
Payment of capital leases and loans	-	-	-
Interest paid on capital leases and loans	-	-	-
Proceeds from capital loans	-	-	-
Proceeds from sale of capital assets	-	23,156	-
Net cash provided (used) by capital and related financing activities	-	(258,765)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	11,736,674	-	93,581
Proceeds from sales/maturities of investments	-	-	110,157
Proceeds from loan repayments	-	-	-
Loans issued	-	-	-
Net cash provided (used) by investing activities	11,736,674	-	203,738
Net increase (decrease) in cash and cash equivalents	8,471,086	(3,829,575)	1,938,415
Cash and cash equivalents, July 1	494,328,990	3,829,650	4,996,750
Cash and cash equivalents, June 30	$ 502,800,076	$ 75	$ 6,935,165
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (680,274,672)	$ 19,455,118	$ 27,375,528
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	564,438	7,659
(Increase) decrease in accounts/taxes receivable	(16,024,796)	(571,161)	387,707
(Increase) decrease in due from other funds	-	345,105	-
(Increase) decrease in inventory	-	(603,173)	8,636
(Increase) decrease in prepaid expenses	-	-	10,000
(Increase) decrease in deferred outflows	-	147,248	117,121
Increase (decrease) in accounts payable	-	(1,603,718)	143,655
Increase (decrease) in accrued salaries and benefits	-	41,652	13,324
Increase (decrease) in claims payable	41,035,198	-	-
Increase (decrease) in due to lottery winners	-	-	(110,158)
Increase (decrease) in due to agents	-	(8,608)	-
Increase (decrease) in future and unclaimed prizes payable	-	-	842,219
Increase (decrease) in due to other funds	39,019	670,935	7,816
Increase (decrease) in unearned revenues	-	3,965	24,656
Increase (decrease) in other liabilities	6,501,543	-	-
Increase (decrease) in other noncurrent liabilities	-	-	-
Increase (decrease) in net pension liabilities	-	23,736	(158,919)
Increase (decrease) in net OPEB liabilities	-	(2,798,526)	(1,245,456)
Increase (decrease) in deferred inflows	-	2,311,128	1,133,290
Total adjustments	31,550,964	(1,476,979)	1,181,550
Net cash provided (used) by operating activities	$ (648,723,708)	$ 17,978,139	$ 28,557,078
Noncash investing, capital, and financing activities:			
Retirement of assets not fully depreciated	-	11,860	-
Fair market value of donated inventory sold	-	-	-

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, and imprest cash and change fund - advances on the Statement of Net Position.

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 73,581,827	$ 400,568,497	$ 409,026,109
(81,558,580)	(149,478,606)	(126,981,110)
(29,006)	(6,188,635)	(73,538,497)
-	(99,574,773)	-
-	(752,901,507)	(188,083,413)
-	6,558,257	5,382,331
(793)	(9,178,276)	(3,396,230)
(8,006,552)	(610,195,043)	22,409,190
-	-	6,104,329
(1,129,283)	(50,951,684)	-
-	(687,226)	-
(114,146)	1,336,905	(152,572)
-	646,145,346	-
(1,243,429)	595,843,341	5,951,757
-	(281,921)	(10,696,117)
-	-	(813,234)
-	-	(50,738)
-	-	396,525
-	23,156	823,567
-	(258,765)	(10,339,997)
162,670	11,992,925	1,285,862
-	110,157	-
525,910	525,910	687,655
(693,163)	(693,163)	(955,034)
(4,583)	11,935,829	1,018,483
(9,254,564)	(2,674,638)	19,039,433
23,684,355	526,839,745	93,826,623
$ 14,429,791	$ 524,165,107	$ 112,866,056
$ (7,447,767)	$ (640,891,793)	$ 23,510,384
-	572,097	11,476,006
(1,543,055)	(17,751,305)	(4,840,188)
(39,019)	306,086	(1,722,820)
-	(594,537)	(443,320)
-	10,000	(634,005)
-	264,369	-
(884,681)	(2,344,744)	(1,375,259)
992	55,968	1,191,812
-	41,035,198	(2,915,906)
-	(110,158)	-
-	(8,608)	-
-	842,219	-
134,881	852,651	(215,331)
-	28,621	(1,633,119)
-	6,501,543	10,936
1,772,097	1,772,097	-
-	(135,183)	-
-	(4,043,982)	-
-	3,444,418	-
(558,785)	30,696,750	(1,101,194)
$ (8,006,552)	$ (610,195,043)	$ 22,409,190
-	11,860	(293,845)
215,445	215,445	747,253

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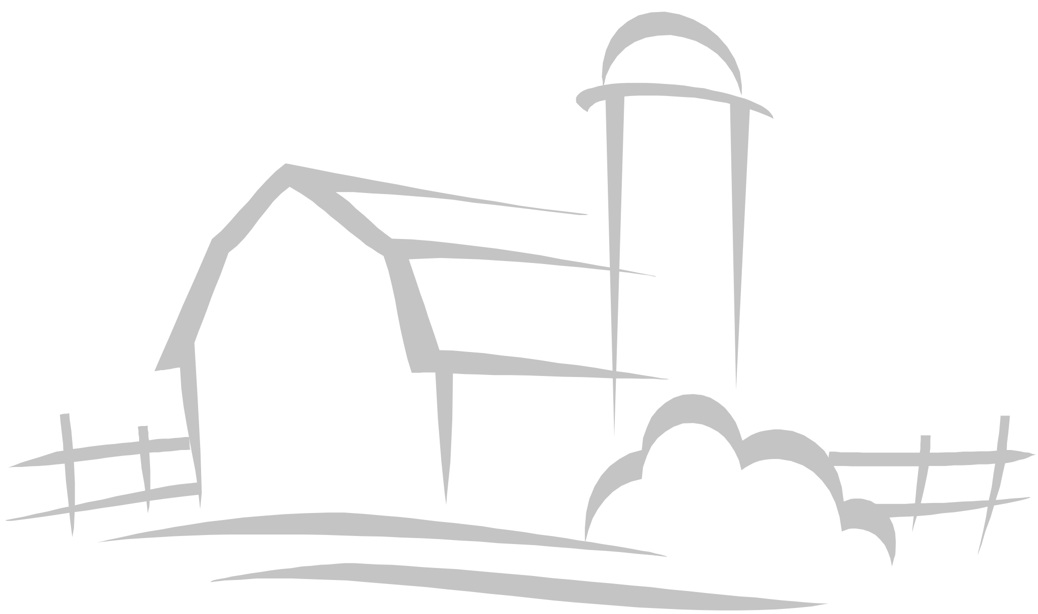

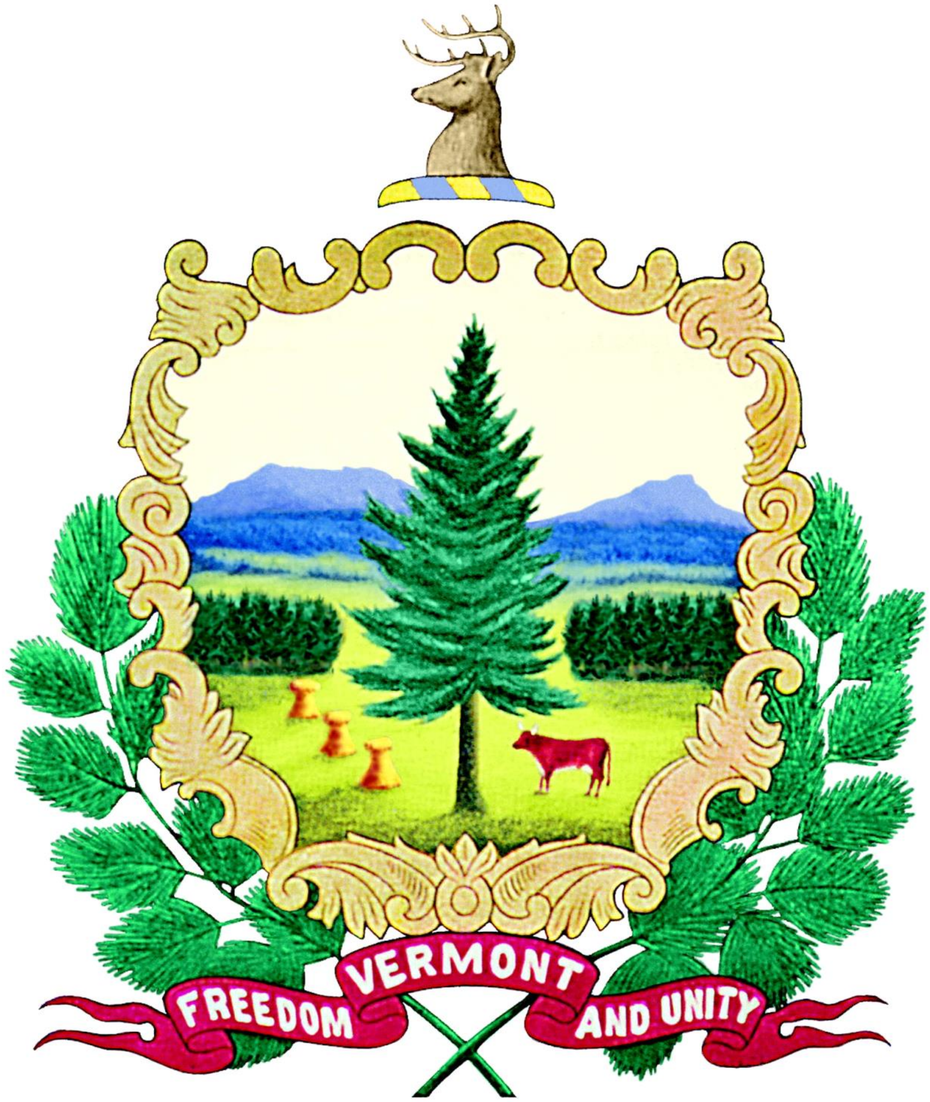

FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
ASSETS			
Cash and cash equivalents	$ 69,292,380	$ 6,277,970	$ 7,492,481
Investments			
Fixed income	306,658,933	-	-
Equities	343,956,243	2,204,565	-
Mutual and commingled funds	3,538,331,116	-	-
Real estate and private partnerships	598,901,022	-	-
Receivables:			
Taxes	-	-	2,265,850
Contributions - current	22,540,784	-	-
Contributions - non-current	6,314,229	-	-
Investments sold	78,976,330	-	-
Interest and dividends	2,429,984	-	-
Due from other funds	-	4,000	-
Other	29,658,019	-	2,452,701
Prepaid expenses	239,344	-	-
Other assets	-	6,813,869	-
Capital assets:			
Construction in progress			
Capital assets being depreciated:			
Equipment	8,465,392	10,019	-
Less accumulated depreciation	(5,866,349)	(7,091)	-
Total capital assets, net of depreciation	2,599,043	2,928	-
Total assets	4,999,897,427	15,303,332	$ 12,211,032
LIABILITIES			
Accounts payable	2,380,007	13,374	$ -
Accrued salaries and benefits	-	40,957	-
Claims payable	-	9,150,554	-
Investments purchased	137,615,584	-	-
Due to other funds	146	342	-
Interfund loans payable	-	-	6,734
Due to depositories	-	-	713,969
Intergovernmental payable - other governments	-	-	7,224,038
Amounts held in custody for others	-	-	2,911,756
Other liabilities	-	-	1,354,535
Total liabilities	139,995,737	9,205,227	$ 12,211,032
NET POSITION			
Restricted for employees' pension benefits	4,779,673,274	-	
Restricted for employees' other postemployment benefits	80,228,416	-	
Held in trust for individuals, organizations and other governments	-	6,098,105	
Net position restricted for benefits and other purposes	$ 4,859,901,690	$ 6,098,105	

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund
ADDITIONS		
Contributions		
Employer - pension benefit	$ 107,544,191	$ -
Employer - healthcare benefit	38,599,577	-
Non-employer - pension benefit	120,247,389	-
Non-employer - healthcare benefit	35,176,080	-
Plan member	103,516,799	-
Other revenues	6,694,193	-
Total contributions	411,778,229	-
Investment Income		
Net appreciation in fair value of investments	159,877,415	-
Dividends	35,945,631	-
Interest income	10,342,682	84,929
Other income	830,146	-
Total investment income	206,995,874	84,929
Less Investment Expenses		
Investment managers and consultants	6,123,856	-
Total investment expenses	6,123,856	-
Net investment income	200,872,018	84,929
Escheat property remittances	-	534,099
Total additions	612,650,247	619,028
DEDUCTIONS		
Retirement benefits	388,113,709	-
Other postemployment benefits	63,890,854	-
Refunds of contributions	7,332,170	-
Death claims	1,287,289	-
Transfers to non-state systems	5,239,384	-
Depreciation	704,126	1,046
Operating expenses	5,970,349	792,166
Total deductions	472,537,881	793,212
Change in net position		
Restricted for employees' pension benefits	125,686,704	-
Restricted for employees' other postemployment benefits	14,425,662	-
Held in trust for individuals, organizations and other governments	-	(174,184)
Restricted Net position, July 1	4,719,789,324	6,272,289
Restricted Net position, June 30	$ 4,859,901,690	$ 6,098,105

The accompanying notes are an integral part of these financial statements.

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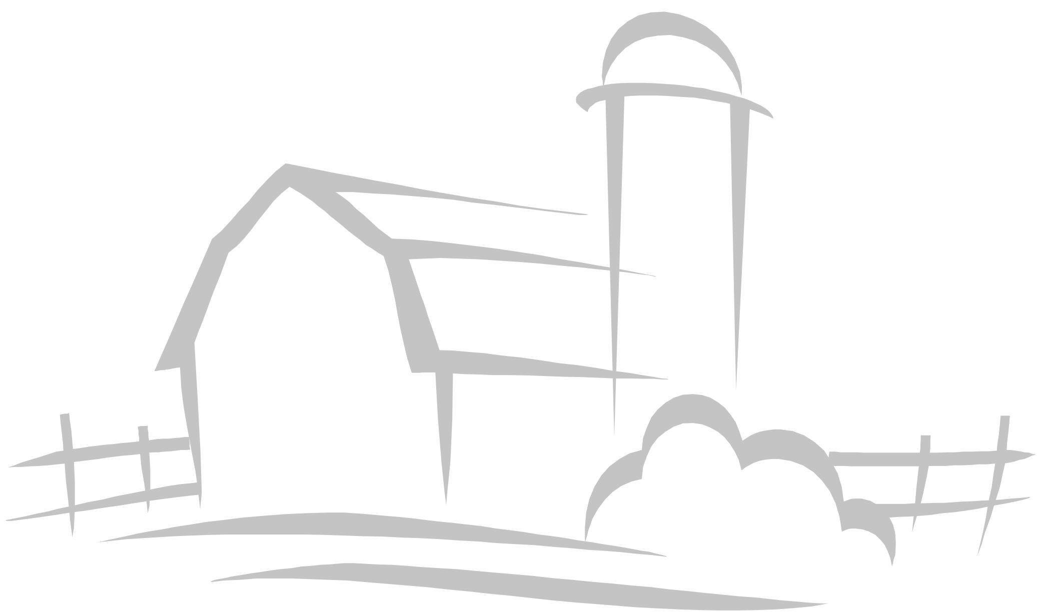

Vermont

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2020

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
ASSETS						
Current Assets						
Cash and cash equivalents	$ 38,328,000	$ 225,009,000	$ 22,432,987	$ 122,000	$ 40,745,946	$ 326,637,933
Cash and cash equivalents - restricted	-	-	5,940,335	68,758,000	2,720,000	77,418,335
Investments	-	224,654,000	1,061,784	15,611,000	26,185,095	267,511,879
Accounts receivable, net	-	40,821,000	17,174,731	-	3,373,526	61,369,257
Accrued interest receivable - loans	14,586,000	-	-	2,137,000	2,587,125	19,310,125
Accrued interest receivable - investments	11,000	-	-	729,000	-	740,000
Loans and notes receivable - current portion	93,745,000	1,927,000	-	21,904,000	83,747,227	201,323,227
Other receivables	1,755,000	548,000	-	335,000	2,127,611	4,765,611
Due from federal government	94,000	7,014,000	-	-	2,494,638	9,602,638
Due from primary government	-	-	-	-	4,476,976	4,476,976
Inventories, at cost	-	158,000	-	-	200,483	358,483
Other current assets	753,000	17,298,000	1,458,477	-	743,231	20,252,708
Total current assets	149,272,000	517,429,000	48,068,314	109,596,000	169,401,858	993,767,172
Noncurrent Assets						
Cash and cash equivalents	-	6,281,000	963,686	-	-	7,244,686
Cash and cash equivalents - restricted	81,643,000	-	-	-	1,668,874	83,311,874
Investments	7,910,000	690,776,000	48,091,685	254,055,000	1,559,000	1,002,391,685
Investments - restricted	-	-	-	-	90,990,503	90,990,503
Loans and notes receivable, net	550,258,000	46,088,000	3,488,786	219,919,000	967,389,039	1,787,142,825
Other assets	2,688,000	201,000	61,683	132,000	21,509,562	24,592,245
Total noncurrent assets	642,499,000	743,346,000	52,605,840	474,106,000	1,083,116,978	2,995,673,818
Capital Assets						
Land	3,150,000	40,128,000	9,004,664	50,000	602,470	52,935,134
Construction in progress	-	43,417,000	2,866,436	-	262,242	46,545,678
Capital assets, being depreciated						
Buildings and leasehold improvements	17,407,000	1,023,996,000	266,053,885	1,988,000	36,694,595	1,346,139,480
Equipment, furniture and fixtures	5,026,000	188,657,000	36,932,380	877,000	6,941,218	238,433,598
Infrastructure	-	-	41,568,376	-	-	41,568,376
Less accumulated depreciation	(12,979,000)	(584,695,000)	(205,446,665)	(2,273,000)	(28,288,440)	(833,682,105)
Total capital assets, net of depreciation	12,604,000	711,503,000	150,979,076	642,000	16,212,085	891,940,161
Total assets	804,375,000	1,972,278,000	251,653,230	584,344,000	1,268,730,921	4,881,381,151
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable	-	5,925,000	8,570,206	-	23,133,155	37,628,361
Interest rate swaps	-	-	-	670,000	-	670,000
VHCB related deferred outflows	-	-	-	32,859,000	-	32,859,000
Pension related outflows	-	-	-	-	4,735,948	4,735,948
OPEB related outflows	-	56,779,000	16,151,177	-	1,658,924	74,589,101
Total deferred outflows of resources	-	62,704,000	24,721,383	33,529,000	29,528,027	150,482,410

The accompanying notes are an integral part of these financial statements.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	2,578,000	87,844,000	13,402,712	515,000	3,836,767	108,176,479
Accrued interest payable	-	-	-	3,286,000	127,000	3,413,000
Bond interest payable	460,000	-	-	-	2,187,615	2,647,615
Unearned revenue	14,031,000	152,233,000	12,187,617	-	-	178,451,617
Other current liabilities	-	-	-	-	91,000,000	91,000,000
Current portion of long-term liabilities	11,975,000	16,962,000	1,613,454	24,053,000	114,399,462	169,002,916
Due to primary government	-	-	-	-	2,067,410	2,067,410
Escrowed cash deposits	-	-	-	3,636,000	893,000	4,529,000
Total current liabilities	29,044,000	257,039,000	27,203,783	31,490,000	214,511,254	559,288,037
Noncurrent Liabilities						
Bonds, notes and leases payable	553,172,000	575,882,000	117,960,911	472,072,000	675,687,017	2,394,773,928
Accounts payable and accrued liabilities	-	21,718,000	-	-	-	21,718,000
Accrued arbitrage rebate	4,254,000	-	-	-	28,674	4,282,674
Advances from primary government	-	-	-	-	5,500,000	5,500,000
Net pension liabilities	-	-	-	-	14,187,745	14,187,745
Net other postemployment benefits liabilities	-	530,031,000	194,057,554	-	12,357,514	736,446,068
Other liabilities	-	-	4,995,832	1,113,000	55,695	6,164,527
Total noncurrent liabilities	557,426,000	1,127,631,000	317,014,297	473,185,000	707,816,645	3,183,072,942
Total liabilities	586,470,000	1,384,670,000	344,218,080	504,675,000	922,327,899	3,742,360,979
DEFERRED INFLOWS OF RESOURCES						
Deferred lease revenue	2,655,000	-	-	-	-	2,655,000
Gain on refunding of bonds payable	15,322,000	-	-	-	-	15,322,000
Service concession arrangement	-	1,312,000	-	-	-	1,312,000
Split interest arrangements	-	3,250,000	-	-	-	3,250,000
Pension related inflows	-	-	-	-	709,089	709,089
OPEB related inflows	-	25,851,000	4,548,824	-	14,342,068	44,741,892
Total deferred inflows of resources	17,977,000	30,413,000	4,548,824	-	15,051,157	67,989,981
NET POSITION						
Net investment in capital assets	12,604,000	139,779,000	45,779,424	642,000	14,877,085	213,681,509
Restricted						
Endowments - expendable	725,000	408,270,000	12,639,185	-	-	421,634,185
Endowments - nonexpendable	7,217,000	237,348,000	19,157,254	-	-	263,722,254
Grants and scholarships	1,224,000	-	-	-	-	1,224,000
Bond resolution	107,608,000	-	-	100,250,000	-	207,858,000
Investment in limited partnerships	-	-	-	-	3,507,000	3,507,000
Collateral for commercial paper program	-	-	-	-	24,178,000	24,178,000
Project and program commitments	-	-	-	4,067,000	47,716,401	51,783,401
Loans receivable	-	-	-	-	242,284,165	242,284,165
Unrestricted (deficit)	70,550,000	(165,498,000)	(149,968,154)	8,239,000	28,317,241	(208,359,913)
Total net position	$ 199,928,000	$ 619,899,000	$ (72,392,291)	$ 113,198,000	$ 360,879,892	$ 1,221,512,601

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2020

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses						
Salaries and benefits……………………………….	$ 15,709,000	$ 473,213,000	$ 119,066,535	$ 3,736,000	$ 25,074,676	$ 636,799,211
Other expenses…………………………………….	14,105,000	188,531,000	43,206,439	5,744,000	33,010,848	284,597,287
Scholarship, grants and fellowships……………….	25,511,000	27,329,000	10,369,849	-	-	63,209,849
Depreciation…………………………………………	948,000	34,032,000	9,999,987	82,000	1,470,204	46,532,191
Interest on debt…………………………………….	13,243,000	20,692,000	4,944,172	15,957,000	27,873,862	82,710,034
Total expenses…………………………………	69,516,000	743,797,000	187,586,982	25,519,000	87,429,590	1,113,848,572
Program Revenues						
Charges for services……………………………….	41,478,000	459,857,000	105,769,711	26,016,000	59,446,133	692,566,844
Operating grants and contributions……………….	32,885,000	299,263,000	78,773,500	3,063,000	12,912,768	426,897,268
Capital grants and contributions……………………	-	1,490,000	2,479,815	-	5,052,946	9,022,761
Total program revenues………………………	74,363,000	760,610,000	187,023,026	29,079,000	77,411,847	1,128,486,873
Net revenue (expense)………………………..	4,847,000	16,813,000	(563,956)	3,560,000	(10,017,743)	14,638,301
General Revenues						
Property transfer tax………………………………..	-	-	-	-	10,804,840	10,804,840
Investment income………………………………….	1,630,000	10,531,000	1,322,745	10,299,000	7,762,892	31,545,637
Additions to non-expendable endowments……….	1,013,000	-	604,785	-	-	1,617,785
Miscellaneous……………………………………….	-	36,000	-	-	1,658,346	1,694,346
Total general revenues………………………..	2,643,000	10,567,000	1,927,530	10,299,000	20,226,078	45,662,608
Changes in net position……………………….	7,490,000	27,380,000	1,363,574	13,859,000	10,208,335	60,300,909
Net position - beginning, as restated………………	192,438,000	592,519,000	(73,755,865)	99,339,000	350,671,557	1,161,211,692
Net position - ending…………………………………	$ 199,928,000	$ 619,899,000	$ (72,392,291)	$ 113,198,000	$ 360,879,892	$ 1,221,512,601

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

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STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles in the United States of America.

The basic financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The basic financial statements are presented as of and for the period ended June 30, 2020.

The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. Financial Reporting Entity

The State of Vermont's Primary Government is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, with a Senate of 30 members and a House of Representatives of 150 members; and the Judicial Branch, with Supreme and Superior Courts and the Judicial Bureau.

The basic financial statements include all funds, agencies, boards, commissions and organizations of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are financially accountable to the State if the State appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide a financial benefit or financial burden to the State. Alternatively, for those organizations where the State does not appoint a voting majority, an organization is financially accountable to the State if the organization is fiscally dependent and the organization provides a financial benefit or financial burden to the State.

Component unit activity may be "blended" into the activity of the primary government or may be reported separately. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. If they are reported separately, they are called "discretely presented component units" and are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit's designation as either "major" or "non-major" has been determined by the entity's relative significance to the State. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

Discretely Presented Major Component Units

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Vermont Student Assistance Corporation (VSAC) – The VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors and the State Legislature appoints two additional members. The State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For audited financial statements and further information, contact their administrative offices at 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404.

University of Vermont (UVM) - The UVM's financial report includes the University, the State Agricultural College, and UVM's two discretely presented component units; the University of Vermont and State Agricultural College Foundation, Inc. (UVMF), and the University Medical Education Associates, Inc. (UMEA). The State appoints thirteen of the twenty-five voting members of the Board of trustees. The State has assumed an obligation to provide financial support through its annual appropriation and is obligated to maintain the University's debt service reserves. Audited financial statements and additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

- System Offices and Services
- Community College of Vermont
- Castleton University
- Northern Vermont University
- Vermont Technical College
- Vermont Manufacturing Extension Center
- Small Business Development Center
- Vermont Tech Office of Continuing Education and Workforce Development

The Governor, with the advice and consent of the Senate, appoints nine of the fifteen members of the board of trustees, and the legislature appoints an additional four members. The State has assumed an obligation to provide financial support through its annual appropriations and has assumed an obligation to maintain VSC's debt service reserves. Audited financial statements and additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, P.O. Box 7, Montpelier VT 05601.

Vermont Housing Finance Agency (VHFA) – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. The State appoints voting members of VHFA's board of commissioners. The State is able to impose its will on the organization as the Governor can remove any member of the board at will. The State also has an obligation to maintain the organization's debt reserves. Audited financial statements and additional information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05401.

<u>Discretely Presented Non-major Component Units</u>

Vermont Economic Development Authority (VEDA) VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 15 voting members consisting of the Secretary of the Agency of Commerce and Community Development; the State Treasurer; the Secretary of Agriculture, Food and Markets; the Commissioner of Forest, Parks, & Recreation; and the Commissioner of Public Service; or a designee of any of the above; and ten members, who are residents of the State of Vermont and appointed by the Governor with the advice and consent of the senate. The State has the ability to impose its will on the entity as the Governor can remove members at will and the State can change the structure and activities of the organization at any time. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownfields Revitalization Fund, Clean Energy Development Fund, and the Windham County Economic Development Fund. These five funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, forestlands, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. Funding for the organization is provided by the Legislature, comprised of 50% of the revenue from the property transfer tax, plus other monies appropriated from time to time. Audited financial statements and additional information may be obtained by contacting the VHCB at 58 East State Street, Suite 5 Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. The Governor appoints the four directors, and can remove members at will. VMBB is authorized, with written consent of the Governor and the State Treasurer, to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. The State is obligated annually to appropriate any funds necessary to maintain required reserves of the bond bank. The VMBB has a December 31 (annual) year-end. Audited financial statements and additional information regarding VMBB may be obtained by contacting VMBB at 20 Winooski Falls Way, Winooski VT 05404.

VMBB also administers the Special Environmental Revolving Fund in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and publishes its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. The Special Environmental Revolving Fund's audited financial statements may be obtained by contacting the Department of Environmental Conservation at Davis 3, 1 National Life Drive, Montpelier, VT 05602-3901.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational institutions, health care related entities, and private libraries. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees. Their compensation is subject to approval of the Governor. It has a December 31 (annual) year-end. Audited financial statements and additional information may be obtained by contacting VEHBFA at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The State can impose its will on the entity as directors serve at the pleasure of the Governor. The Vermont Veterans' Home is financially accountable to the State as the State provides all funding and controls the finances of the Home. Audited financial statements and additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. All members of the authority are appointed by the Governor, and all resources revert to the State on termination of the authority. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

Joint Ventures

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities of this organization have not been included in the State's financial statements; however, see Note V. E. for additional information regarding the organization.

Jointly governed Organizations

The following organizations are classified as jointly governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

Related Organizations

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

Excluded Organizations

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity", as amended by GASB Statements No. 61.

Vermont Sustainable Jobs Fund, Inc.
Vermont Information Technology Leaders (VITL)
Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Basis of Presentation—Government-wide Financial Statements

The basic financial statements of the State of Vermont include both *government-wide statements* and *fund financial statements*. The focus of the government-wide statements is on reporting the operating results and financial position of the State as a whole and present a longer-term view of the State's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the State and present information on how operations were financed and what remains available for future spending.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements.

The State of Vermont's Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. However, Interfund services provided and used are not eliminated in the process of consolidation. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate discretely presented component units.

The Statement of Activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets– total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources.
(2) Restricted – for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation.
(3) Unrestricted – the total net position which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Basis of Presentation—Fund Financial Statements

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and discretely presented component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds and component units are combined and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, etc.) for all funds in that category or type (that is total governmental or total enterprise), **and**

b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

The financial activities of the State reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds:

Governmental Funds

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited to expenditures for specific purposes. These purposes cross the entire range of State government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for human services as part of the global commitment to health Medicaid waiver, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, Transportation Fund or Fish and Wildlife Fund respectively).

Global Commitment (to Health) Fund – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901(e). It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services, but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Services (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments from the Agency of Human Services to the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General and Special Funds and as transfers into the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is committed by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Debt Service Funds—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

Proprietary Funds

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These nine funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the Division of Liquor Control, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Division of Liquor Control which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 5).

State Lottery Fund – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the State Lottery Fund are used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-four separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund, the Retired Teachers' Health and Medical Benefit Fund and the Vermont Municipal Employees' Health Benefit Fund.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements.

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. They have no net position and report items such as Federal income tax withholding, social security tax withholding, etc.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State uses a 60-day availability period for revenue recognition. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units **–** The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. The financial statements presented for agency funds, a type of fiduciary fund, uses the accrual basis of accounting, but has no measurement focus. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension and Other Post Employment Benefit Funds, and bond proceeds in the Capital Projects Funds, cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less at the time of acquisition such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

Investments

The investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels: Level 1 - quoted prices for identical instruments in active markets; Level 2 - significant inputs that are observable; Level 3 - significant inputs that are unobservable.

Also, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. For additional information regarding types of investments and basis of valuation, see Note IV.B. - Investments.

Receivables

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants and are reported net of allowance for uncollectible accounts. See Note IV.C. - Receivables for further information. Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and drug expenditure reimbursements due to the Medicaid program from drug companies and third-party insurance companies. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and other receivables that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as unavailable revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes and loans receivable in the General Fund consist primarily of loans to various non-profit organizations and a Vermont Economic Development Authority note held by the State. No allowances for uncollectible amounts have been recognized in these notes receivable. See Note V.C. - Contingent Liabilities for further information.

Inventories

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market. Cost valuation methods used in the proprietary funds are weighted average method (enterprise funds - Liquor Control Fund and Vermont Life Magazine Fund, and internal service funds - Highway Garage Fund and Offender Work Programs Fund); specific identification method (enterprise funds - State Lottery Fund, Federal Surplus Property Fund, and internal service funds - Communication & Information Technology Fund, and State Surplus Property Fund); and first-in, first-out method (internal service fund - Postage Fund).

Prepaid Expenses

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Position, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Capital assets, except as stated below, have an individual cost of at least $5,000, and provide a future economic benefit for a minimum of 2 years. This includes buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least $250,000 and provide future economic benefit for a minimum of 3 years. Commercial Off-The-Shelf Software with a cost of at least $50,000, internally generated software and websites with a cost of at least $500,000, internally generated intellectual property with a cost of at least $150,000, and a useful life of 2 or more years are capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings and building improvements are 5 to 50 years, machinery and equipment is 3 to 20 years, and infrastructure assets are 7 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes IV. E. - Capital Assets, and IV. G. 3. - Lease Commitments, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant replacements and improvements that increases the useful life, increases the asset's ability to provide service, or increases the effectiveness or efficiency of the asset are capitalized and deductions are made for retirements resulting from the replacements or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Primary Government has six items that qualify for reporting in this category, five of which are related to pensions and other postemployment benefits, the changes in proportional share, differences between projected and actual earnings on plan investments, changes of assumptions, differences between expected and actual experience, contributions made subsequent to the measurement date, and the unamortized balance of losses on bond refunding, are all reported in the government-wide Statement of Net Position. A loss on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Changes in proportional share, changes of assumptions, and differences between expected and actual experience are capitalized and recognized over a period equal to the expected remaining service lives of all employees. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Pension and other postemployment benefits contributions made subsequent to the measurement date will be recognized as a reduction of the net pension and other postemployment benefits liability after the next measurement date.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has one type of item, which only arises under the modified accrual basis of accounting, that qualifies for reporting in this category, and that is unavailable revenue. Governmental funds report unavailable revenue in the balance sheet for revenue that is not available under the modified accrual basis. The amount is capitalized and recognized as revenue in the period that it becomes available. The Primary Government has four items that qualify for reporting in this category in the government-wide financial statements, three are related to pensions and other postemployment benefits. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Changes in assumptions and changes in proportional share related amounts are capitalized and recognized over a period equal to the expected remaining service lives of all employees. The fourth item is the unamortized balance of gains on bond refunding, are all reported in the government-wide Statement of Net Position. A gain on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Additional disclosures related to deferred outflows and inflows of resources are included in Notes IV. F. - Deferred Outflows and Deferred Inflows and IV. G. 4. - Retirement Plans and Other Postemployment Benefits.

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2020 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2020. The amount reported as tax refunds payable at June 30, 2020 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2020's tax liability that will be paid out in calendar year 2021.

Arbitrage Rebate Obligations

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2020, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net position.

Compensated Absences

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide Statement of Activities where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note IV. G. 5. - Other Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated, and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end in the governmental funds are as follows:

Governmental Funds		Encumbrances
General Fund	$	12,403,439
Transportation Fund		463,778
Education Fund		27,811
Special Fund		22,019,909
Federal Revenue Fund		32,209,792
Global Commitment Fund		1,400,000
Non-major Governmental Funds		12,110,020
Total	$	80,634,749

Fund Balances

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54 - *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. In the General Fund, amounts are assigned by the Agency of Administration under authorization by the Legislature in the annual Budget Adjustment Act.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed. Additional information may be found in Note IV. H. - Fund Balance/Net Position.

Bond Discounts, Premiums and Issuance Costs

In the government-wide financial statements, bond discounts or premiums are capitalized and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs other than prepaid insurance are reported as expenses.
In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

Interfund Transactions

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Interfund Services Provided and Used –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities that affect the disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

F. Accounting and Reporting Changes

In fiscal year 2020, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postpones the implementation dates of certain (GASB) Statements.

Note II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund financial statements each include a schedule that reconciles the fund balance and net changes in fund balance in the fund financial statements to the net position and changes in net position in the government-wide financial statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources measurement focus and accrual basis of accounting that is used in government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the government-wide financial statements, including consolidation of internal service fund data into the governmental activities in the government-wide financial statements.

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that "capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds." The details of this are as follows:

Land	$ 161,026,319
Works of art	127,803
Construction in progress	671,506,698
Depreciable capital assets and infrastructure, net of $1,882,900,748 of accumulated depreciation	2,270,053,157
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities*	$ 3,102,713,977

Another element of that reconciliation explains that "amounts are presented in the Statement of Net Position but are not presented in fund balances due to a different basis of accounting." The details of this are as follows:

Long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds	$ 172,270,006
Deferred outflow for unamortized loss on sale of refunding bonds	5,121,630
Deferred inflow for unamortized gain on sale of refunding bonds	(28,376)
Deferred outflow for pension related items	499,468,857
Deferred inflow for pension related items	(24,066,887)
Deferred outflow for OPEB related items	205,208,534
Deferred inflow for OPEB related items	(397,284,129)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 460,689,635

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds." The details of this are as follows:

Bonded debt	$ (675,146,062)
Accrued interest payable on bonds	(8,927,824)
Compensated absences (net of internal service funds' liability)	(37,824,300)
Tax refunds payable	(70,492,672)
Net pension liabilities	(2,382,334,113)
Net other postemployment benefits liabilities	(2,251,182,024)
Other long-term liabilities	(16,154,670)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (5,442,061,665)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period, net of internal service funds." The details of this difference are as follows:

Capital outlay/functional expenditures	$ 522,581,289
Expensed net book value of disposed assets	(248,777,757)
Depreciation expense	(196,498,207)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 77,305,325

A second element of the reconciliation states that repayment of bond principal is reported as an expenditure in governmental funds. However, in the government wide statements, repayment of bond principal reduces long-term liabilities. The details of this difference are as follows:

Principal repayment	$ 56,135,000
Payment to refunding bond escrow agent	44,375,000
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 100,510,000

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this difference are as follows:

Bonds issued increases long-term debt in the statement of net position	$ (88,255,000)
Refunding bonds issued increases long-term debt in the statement of net position	(39,525,000)
Premium from the issuance of bonds increases long-term debt in the statement of net position	(16,913,891)
Bond premium is amortized to interest expense in the statement of activities	7,547,963
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	(1,173,885)
Bond discount is amortized to interest expense in the statement of activities	(10,273)
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (138,330,086)

The final element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Increase in accrued interest payable	$ (349,140)
Increase in compensated absences	(5,023,262)
Increase in employer pension and other postemployment benefit related costs	(178,819,629)
Decrease in pollution remediation related costs	993,864
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (183,198,167)

Note III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Vermont statutes require the head of every State department, board and commission, and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years, in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts, including federal receipts, exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

B. Deficit Fund Balances/Net Position

The following funds had a deficit net position at June 30, 2020:

Proprietary Funds		
Major Enterprise Funds:		
Liquor Control Fund	$	(5,456,921)
State Lottery Fund		(3,014,793)
Non-major Enterprise Funds:		
Federal Surplus Property Fund		(194,479)
Internal Service Funds:		
Offender Work Programs		(520,637)
Communications & Information Technology Fund		(150,872)
Copy Center Fund		(1,356,490)
Postage Fund		(3,656,699)
Property Management		(23,580,391)
State Liability Insurance		(1,051,775)
Workers' Compensation		(5,001,425)
Human Resources		(496,906)

Major Enterprise Funds

The deficit in the Liquor Control Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities.

The deficit in the State Lottery Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities.

Non-major Enterprise Funds

The deficit in the Federal Surplus Property Fund is due mainly to the lack of inventory for sale from the federal government that could in turn be retrieved for sale by the State. Program management will continue to pursue increasing revenue by actively retrieving goods for sale as well as to encourage increased participation by Towns and eligible organizations. Starting in fiscal year 2021, the program model will shift to an administrative service fee-based participation via the State Surplus Property program which will allow for more consistent and predictable expenses year to year.

Internal Service Funds

The Vermont Offender Work Program includes the Vermont Correctional Industries (VCI), Facility Work Camps, and Community Work Crews. The deficit is attributable to the closure of the Windsor Work Camp, the State converting to open office environments which has nearly eliminated state purchases of furniture from VCI, and a decline in offenders that are being sentenced to Community Work Crews.

The operations of the Agency of Digital Services (ADS) are accounted for in the Communications & Technology (CIT) Fund. The fund's deficit balance was reduced this year due to implementing a new reporting system to better identify operating costs. The new reporting system improvements include robust billing practices and budgeted rates for ADS services, aligning expenditures to receivables and acting upon the management of aged receivables, and improved timesheet billing methods to Agencies for IT services based on the federally approved rate. In addition, ADS has been recouping prior fiscal year costs for the Voice Over IP phone services through a bill back method to consuming agencies users. These actions will further enable ADS to improve the deficit fund balance.

The Copy Center Fund's deficit net position is the result of a long-term decline in usage, driven by digital replacements of printed materials, limiting the program's revenue potential without a corresponding reduction in fixed costs. To eliminate the deficit, program management may implement rate increases, while continuing to aggressively pursue additional opportunities including synergistic partnership with the postal services program.

The deficit net position in the Postal Fund is due to the marginal rate (percentage points saved off federal postage rates) used to operate the program has not proven sufficient to cover the actual operating costs despite management efforts to initiate efficiencies. In addition, unbilled services (bomb screening and inter-office mail) have not been fully funded in recent years. Program management will attempt to address the fund deficit through improved business operations, while continuing to explore efficiencies gained through a partnership and co-location with the copy center. A modest marginal rate increase was implemented in fiscal year 2020.

Much of the Property Management Fund deficit is due to two buildings that have been financed over a twenty-year period with recovery of costs scheduled over fifty years. This part of the deficit should be eliminated gradually over the next twenty to thirty years. Additionally, the fund initially operated with staff and operating costs for lease management work that was not being recovered through billed revenue. The administration has added a surcharge to existing leases to cover the operating expenses and deficit. The level of surcharge will be monitored during budgeting each year. Program management has also addressed, via corrective agreements and billings, a few instances of tenant subsidization where invoicing did not recover the full cost of leased space. Program management will also continue to monitor recoverable expenses to pursue corresponding back-charge revenues.

The State Liability Fund's deficit is due to consecutive years of revenues being outpaced by actual and projected liability driven expenses. Program management identified deficiencies in the rate setting model which have been corrected for fiscal year 2021, and the program was supported with a transfer from the general fund in fiscal year 2020. The outlook for the program is improving as the growth of claims has slowed per actuarial projections. Program management will work closely with the State administration to identify additional risk mitigation opportunities.

The Workers' Compensation Fund deficit is the result of responding to an excess fund surplus in fiscal year 2017 by charging discounted premiums to customers beginning in fiscal year 2018 through fiscal year 2020. The fund balance was further reduced by larger than expected Incurred But Not Reported (IBNR) ultimate loss calculations (provided by an independent actuary consultant) in fiscal years 2018 and 2019. Program management has removed the premium discount and returned rate to a break-even level for fiscal year 2021, and the program was supported with a transfer from the general fund in fiscal year 2020. Program management will work closely with State administration to identify additional workplace safety and other risk mitigation opportunities. A reserve fulfillment surcharge may need to be applied if programmatic savings cannot otherwise be realized.

The Human Resources Services fund ended fiscal year 2020 in a deficit position as estimated revenues, via a one-time statewide allocation, proved insufficient to cover operating expenses. Expenses not covered by revenue this year include depreciation for the upgraded talent and acquisition management system (TAMS), a new position/commission based within the Agency of Administration, as well as collectively bargained salary increases for the approximately 95 employees within this fund. Program management will review the rate setting process to ensure that all anticipated expenses and opportunities for increased efficiencies are considered.

NOTE IV. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Cash Equivalents

Deposits for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. Chapter 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer.

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by the Federal Deposit Insurance Corporation (FDIC) insurance and are uncollateralized; or collateralized with securities held by the pledging financial institution's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments, or other collateral acceptable to the Treasurer. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension, and other post-employment benefits funds, at June 30, 2020, were $1,405,163,782. Of these, $8,673,073 were exposed to custodial credit risk as uninsured and collateralized with securities held in the name of pledging financial institutions.

The Unemployment Compensation Trust Fund had $501,854,253 on deposit with the U.S. Treasury at June 30, 2020. This amount is presented as cash and cash equivalents and is not included in the carrying amount of deposits, nor is it categorized according to risk, because it is neither a deposit with a financial institution nor an investment.

The pension, other postemployment benefits, and investment trust funds' cash deposits, outside of the pension trust funds' custodian bank at June 30, 2020, totaled $25,649,123 none of which was exposed to custodial credit risk.

B. Investments

<u>Primary Government—Excluding All Pension, and Other Postemployment Benefits Trust Funds</u>

Investments for the primary government are governed by State statutes. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the Agency of Natural Resources Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Fair Value Measurements*
The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

- Level 1: Inputs are quoted prices for identical investments in active markets.
- Level 2: Observable inputs other than quoted market prices.
- Level 3: Unobservable inputs.

The fair value measurement at June 30, 2020 for the primary government, with the exception of the Pension and OPEB trust funds is as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Fair Value Measurement Level		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt investments:				
US Treasuries	$ 106,024	$ 106,024	$ -	$ -
US Agencies Securities	29,662	29,662	-	-
Commercial Paper	2,811	-	2,811	-
Total debt investments	138,497	135,686	2,811	-
Equities:				
Equity Securities	2,205	2,205	-	-
Total investments by fair value level	140,702	$ 137,891	$ 2,811	$ -
		Unfunded Commitments	**Redemption Frequency**	**Redemption Notice Period**
Investments measured by net asset value (NAV)				
Money Market Mutual Funds	382,520	-	Daily	-
Fixed Income Mutual Funds	27,543	-	Daily, monthly	1-30 days
Equity Mutual Funds	18,399	-	Daily, monthly	1-60 days
Total investments by NAV	428,462			
Total investments	$ 569,164			

$382,520 (in thousands) of the above money market mutual funds and $2,811 (in thousands) of the above commercial paper are classified as cash & cash equivalents on the financial statements.

(*b) Interest Rate Risk*
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for investments,

other than pension and investment trust funds' investments. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2020 are presented as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Treasuries	$ 106,024	$ 105,367	$ 358	$ 191	$ 108
US Agencies Securities	29,662	29,662	-	-	-
Money Market Mutual Funds	382,520	382,520	-	-	-
Fixed Income Mutual Funds	27,543	27,543	-	-	-
Commercial Paper	2,811	2,811	-	-	-
Total Debt Investments	548,560	$ 547,903	$ 358	$ 191	$ 108
Other Investments:					
Equity Securities	2,205				
Equity Mutual Funds	18,399				
Total Investments	$ 569,164				

Investments per maturity schedule	$ 569,164
Included in cash & cash equivalents:	
Money market mutual fund	(382,520)
Commercial paper	(2,811)
Financial statement investments total	$ 183,833

(c) Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2020, no single issuer exceeded 5% for the primary government portfolios.

(d) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2020, all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(e) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of U.S. Treasury investments of $106,024 (in thousands), and pension fund investments are as follows:, as of June 30, 2020, is presented as follows using the Moody's rating scale:

Primary Government Rated Debt Instruments
Excluding Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Quality Ratings		
Debt Investments	**Fair Value**	**Aaa**	**Aa2**	**Unrated**
US Agencies Securities	$ 29,662	$ -	$ 29,662	$ -
Money Market Mutual Funds	382,520	382,520	-	-
Fixed Income Mutual Funds	27,543	-	-	27,543
Commercial Paper	2,811	-	2,811	-
Totals	$ 442,536	$ 382,520	$ 32,473	$ 27,543

Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2020, was $0.

Primary Government—Pension, and Other Postemployment Benefits Trust Funds

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS); three defined contribution plans (VSRS, MERS, and Single Deposit Investment Account); and three other postemployment benefit funds. Additional information on these plan benefit and actuarial valuations may be found in Note IV.G.4. - Pension and Other Postemployment Benefits.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes.

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the VPIC. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans, most recently amended on June 25, 2020. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in a commingled stable value fund. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized mortgage obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Prudential Financial, Inc. Investment choices are made by participants from a fund specific lineup approved by the trustees' for the plans. Investment options are actively managed and indexed mutual funds including large and small market capitalization equities, international equities, fixed income securities, balanced funds, target retirement date age-based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Prudential provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement Board.

The State has two other postemployment benefit funds, the Vermont State Postemployment Benefits Trust Fund (State OPEB), the Retired Teachers' Health and Medical Benefit Fund (RTHMB). Additionally, the State has an employer-sponsored health benefit savings plan available to MERS members, the Vermont Municipal Employees Health Benefit Fund (Muni Health). The State OPEB is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds. The RTHMB has no investments. The Muni Health is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, Prudential, and is invested in American Funds.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Real estate is carried at the net asset value of each retirement system's real estate fund investments, which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity, private credit and private partnerships, which are valued using current estimates of fair value obtained from the Investment Manager (Manager) in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earnings multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Fair Value Measurements*
The Pension and OPEB Trust Funds categorize the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset that prioritizes inputs into three levels. The level is determined based on the lowest level of input significant to the measurement in its entirety.

- Level 1: Securities traded in an active market, on an exchange that have quoted unadjusted prices such as Exchange-traded equities, and exchange-traded derivatives.
- Level 2: Inputs other than quoted prices that are observable. These inputs are derived from market data through correlation or by other means, e.g., "market corroborated". These are primarily fixed income prices using an evaluated price provided by an independent pricing vendor or broker/dealer.

- Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. Instruments are often based on internally developed models in which there are few, if any, external observation.

Below is the fair value measurement table at June 30, 2020, for the Pension and OPEB trust funds.

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

		Fair Value Measurement Level		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities:				
US Agencies/Treasuries	$ 129,245	$ -	$ 129,245	$ -
Corporate Debt	94,288	-	94,288	-
Certificates of Deposit	901	-	901	-
Municipals	5,092	-	5,092	-
Asset Backed Securities	7,763	-	7,763	-
Mortgage Backed Securities	60,630	-	60,630	-
Sovereign Debt	9,986	-	9,986	-
Repurchase Agreement	20,200	-	20,200	-
Total debt securities	328,105	-	328,105	-
Equity investments:				
Stock Securities	343,956	343,772	184	-
Total equity securities	343,956	343,772	184	-
Investment derivatives:				
Swaps	(1,249)	(1,249)	-	-
Options	3	3	-	-
Total investment derivatives	(1,246)	(1,246)	-	-
Total investments by fair value level	670,815	$ 342,526	$ 328,289	$ -

Investments measured at the net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Commingled Fixed Income Mutual Funds	1,459,471	-	Daily, monthly	1-30 days
Commingled Equity Mutual Funds	388,167	-	Daily, monthly	1-60 days
Mutual Funds	1,690,693	-	Monthly, quarterly	90 days
Money Market Mutual Fund	21,418	-	Daily	-
Real Estate Funds	212,522	-	N/A	N/A
Private Partnerships	386,379	777,079	N/A	N/A
Total investments measured at NAV	4,158,650			
Total investments	$4,829,465			

(b) Interest Rate Risk

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income Managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. The Core Plus portfolio restriction is +/- 40% around the passive benchmark duration. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income Managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity.

Pension and Other Postemployment Benefits

Trust Funds' Investments

(Expressed in Thousands)

Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Agencies/Treasuries	$ 129,245	$ 1,298	$ 65,182	$ 31,728	$ 31,037
Corporate Debt	94,288	8,042	52,784	27,209	6,253
Money Market Mutual Fund	21,418	21,418	-	-	-
Certificates of Deposit	901	901	-	-	-
Municipals	5,092	30	653	414	3,995
Asset Backed Securities	7,763	636	46	233	6,848
Collaterized Mortgage Obligations	60,630	-	238	-	60,392
Sovereign Debt	9,986	58	3,229	2,340	4,359
Repurchase Agreement	20,200	20,200	-	-	-
Fixed Income Mutual Funds	1,459,471	1,459,471	-	-	-
Total Debt Investments	1,808,994	$ 1,512,054	$ 122,132	$ 61,924	$ 112,884
Other Investments:					
Equity Mutual Funds	388,167				
Equity Securities	343,956				
Mutual Funds	1,690,693				
Real Estate	212,522				
Private Partnerships	386,379				
Fixed Income - Derivatives	(1,246)				
Total	$ 4,829,465				

The above money market mutual funds of $21,418 (in thousands) and repurchase agreements of $20,200 (in thousands) are classified as cash & cash equivalents on the financial statements.

(c) Concentration of Credit Risk

Formal guidelines for pension funds state that no more than 5% of the fair value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2020, no issuer exceeded 5%.

(d) Custodial Credit Risk

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant Managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2020, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

(e) Credit Risk

Detailed pension guidelines by asset class and supplemental requirements by Manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with these securities, exclusive of U.S. Treasury investments of $129,245 (in thousands) are as follows:

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
Corporate Debt	$ 94,288	$ -	$ 20	$ 28,685
Money Market Mutual Funds	21,418	-	-	-
Certificates of Deposit	901	-	-	-
Municipals	5,092	-	3,657	368
Asset Backed Securities	7,763	-	-	1,606
Collateralized Mortgage Obligations	60,630	4,960	729	-
Sovereign Debt	9,986	234	2,290	3,346
Repurchase Agreement	20,200	-	-	-
Fixed Income Mutual Funds	1,459,471	-	-	-
Totals	$ 1,679,749	$ 5,194	$ 6,696	$ 34,005

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
Corporate Debt	$ 39,818	$ 9,289	$ 1,424	$ 15,052
Money Market Mutual Funds	-	-	-	21,418
Certificates of Deposit	-	-	-	901
Municipals	414	-	-	653
Asset Backed Securities	269	-	5,202	686
Collateralized Mortgage Obligations	-	63	2,646	52,232
Sovereign Debt	1,576	1,252	-	1,288
Repurchase Agreement	-	-	-	20,200
Fixed Income Mutual Funds	-	-	-	1,459,471
Totals	$ 42,077	$ 10,604	$ 9,272	$ 1,571,901

(f) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the non-US dollar denominated debt of non-US issuers are limited to 15% of the Core Plus portfolio and no more than 5% of the portfolio may be invested in non-US currencies. In the case of equities, the Manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relation to single holding limitations and a stock's weighting in the style benchmark against which the Manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

Pension and Other Postemployment Benefits
Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Debt	Equity	Derivatives
Argentine Peso	$ 349	$ 118	$ 231	$ -	$ -
Australian Dollar	12,033	17	-	12,016	-
Brazilian Real	1	-	-	-	1
Canadian Dollar	293	79	-	173	41
Danish Krone	6,890	-	-	6,890	-
Euro	58,560	38	5,271	53,206	45
Hong Kong Dollar	9,299	16	-	9,283	-
Israeli Shekel	2,038	-	-	2,038	-
Japanese Yen	53,254	594	-	52,660	-
Malaysian Ringgit	56	4	-	52	-
Mexican Peso	161	72	-	89	-
New Turkish Lira	301	3	-	298	-
New Zealand Dollar	359	2	234	129	(6)
Norwegian Krone	70	2	-	68	-
Philippine Peso	1	1	-	-	-
Polish Zloty	17	-	-	17	-
Singapore Dollar	4,768	101	-	4,667	-
South African Rand	203	-	-	203	-
South Korean Won	2,334	42	-	2,292	-
Swedish Krona	4,996	2	-	4,994	-
Swiss Franc	14,093	-	-	14,093	-
Thai Baht	19	-	-	19	-
United Kingdom Pound	34,630	547	5,931	28,526	(374)
Yuan Renminbi	4,625	29	-	4,596	-
Totals	$ 209,350	$ 1,667	$ 11,667	$ 196,309	$ (293)

Formal investment policy guidelines adopted by the VPIC state that international equity Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure.

Derivative Financial Instruments
Vermont Pension Investment Committee (VPIC) policy authorizes certain Managers to invest in derivative financial investments. Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – *Accounting and Financial Reporting for Derivative* Instruments (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust and not those held within commingled fund investment vehicles. The Pension and Other Postemployment Benefit Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. The fair value of all derivative financial instruments are reported in the Statement of Fiduciary Net Position. All of the derivatives reported at June 30, 2020, are presented at fair value.

Derivative instruments may be used for any of the following purposes:

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager’s portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC’s investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC’s investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivative positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are Commodity Futures Trading Commission approved and exchange traded. Options may either be exchange-traded or traded over the counter (OTC).

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (in thousands):

(Table on next page.)

	Changes in Fair Value		Fair Value at June 30, 2020			
	Classification	Amount	Classification	Amount	Notional	
Investment derivatives						
Swaps						
Interest rate swaps................	Investment revenue	$ (1,249)	Investment	$ (1,249)	45,700	
Swaptions						
Interest rate swaptions...........	Investment revenue	3	Investment	3	(770)	
Currency forwards						
FX forwards..........................	Investment revenue	1	Investment	-	(238)	Brazilian Real
	Investment revenue	(58)	Investment	-	(7,986)	Euro
	Investment revenue	-	Investment	-	4,215	Hong Kong Dollar
	Investment revenue	(6)	Investment	-	(269)	New Zealand Dollar
	Investment revenue	(23)	Investment	-	(8,588)	United Kingdom Pound

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Position.

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2020, the VPIC had three different types of swap arrangements; interest rate swaps, inflation linked swaps, and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Position.

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions in the Statement of Changes in Fiduciary Net Position. Only forward currency contracts defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included. Risk of loss arises from changes in currency exchange rates. At June 30, 2020, currency forward positions consisted of unrealized loss on pending foreign exchange sales of $86,415.

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of “A3” as defined by Moody's Investor Service, “A-” by Standard & Poor's, and “A-” by Fitch. The use of counterparties holding a split rating with one of the ratings below A3/A– is prohibited. The use of unrated counterparties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derived exposure. An exception is allowed if the total commodity derivative exposure is less than $3 million. Any entity acting as counterparty must be regulated in either the United States or the United Kingdom. All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC portfolio. For fiscal year 2020 the majority of the derivatives are centrally cleared through an exchange, where the exchange guarantees the settlement of the contract. The following table shows the credit exposure per Moody's rating at June 30, 2020 for the derivatives subject to counterparty risk:

Moody's Rating	Market Value
A1………………………………..	$ 3,297
Total………………………………..	$ 3,297

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker's/dealer's reputation for sound management, the past experience of the Manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2020 risk concentrations are as shown in the following table:

Counterparty Name	Percentage of Net Exposure	Moody's Rating	S&P Rating	Fitch Rating
Goldman Sachs Bank USA…………….	100.00%	A1	A+	A+

VPIC's Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party's exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC's exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from $0 to $250,000 per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Managers use industry standardized contracts, generally known as "master agreements" or "netting agreements," counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow parties to a transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts. The maximum amount of loss VPIC would face in case of default of all counterparties as of June 30, 2020, consists of the aggregated fair value of OTC positions in the amount of $3,297.

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered, or the counterparty is provided the right to terminate the agreement early.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer though a “pass-through” arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk.

C. Receivables
Accounts receivable at June 30, 2020 are summarized as follows:

	Enterprise Funds: Major	Enterprise Funds: Non-major	Total Business-type Activities
Business-type activities			
Taxes			
Unemployment	$ 30,767,151	$ 3,085,609	$ 33,852,760
Allowance for uncollectibles	(8,091,142)	(1,462,978)	(9,554,120)
Taxes receivable, net	$ 22,676,009	$ 1,622,631	$ 24,298,640
Loans and notes receivable	$ -	$ 1,490,603	$ 1,490,603
Current receivable			$ 491,657
Non-current receivable			998,946
Total loans and notes receivable, net			$ 1,490,603
Federal grants	$ 6,822,919	$ -	$ 6,822,919
Other			
Accrued interest and other receivables	$ 25,555,715	$ 11,412,672	$ 36,968,387
Allowance for uncollectibles	(101,358)	-	(101,358)
Other receivables, net	$ 25,454,357	$ 11,412,672	$ 36,867,029
Current receivable			$ 36,867,029
Non-current receivable			-
Total other receivable, net			$ 36,867,029

continued on following page

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 333,453,821	$ -	$ -	$ 333,453,821
Sales and use	88,256,953	-	-	88,256,953
Meals and rooms	41,282,890	-	-	41,282,890
Purchase and use	111,758	-	-	111,758
Motor Fuel	28,110	678	-	28,788
Other taxes	34,488,973	-	-	34,488,973
Subtotal	497,622,505	678	-	497,623,183
Allowance for uncollectibles	(142,074,468)	(1)	-	(142,074,469)
Taxes receivable, net	$ 355,548,037	$ 677	$ -	$ 355,548,714
		Current receivable		$ 234,378,565
		Non-current receivable		121,170,149
		Total taxes receivable, net		$ 355,548,714

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Loans and notes				
Loans and notes receivable	$ 284,032,870	$ -	$ 4,059,042	$ 288,091,912
Allowance for uncollectibles	(842,326)	-	-	(842,326)
Loans and notes receivable, net	$ 283,190,544	$ -	$ 4,059,042	$ 287,249,586
		Current receivable		$ 29,801,850
		Non-current receivable		257,447,736
		Total loans and notes receivable, net		$ 287,249,586

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Federal grants				
Human services	$ 163,552,168	$ -	$ -	$ 163,552,168
General education	33,910,045	-	-	33,910,045
Transportation	35,060,471	-	-	35,060,471
Other	35,195,536	-	-	35,195,536
Federal grants	$ 267,718,220	$ -	$ -	$ 267,718,220
Other				
Accrued interest and other receivables	$ 131,469,722	$ 56,790	$ 25,035,990	$ 156,562,502
Allowance for uncollectibles	(47,235,606)	(5,219)	(296,791)	(47,537,616)
Other receivables, net	$ 84,234,116	$ 51,571	$ 24,739,199	109,024,886
Interfund loans receivable and due from other funds from Fiduciary Funds				7,222
Less Internal Service Funds' receivables from Governmental Funds				(9,040,058)
Other receivables, net				$ 99,992,050
		Current receivable		$ 57,256,459
		Non-current receivable		42,735,591
		Total other receivable, net		$ 99,992,050

D. Interfund Balances

1. Due From/To Other Funds

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2020, are as follows:

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 5,008	$ -	$ 71,387
Transportation Fund	4,133	-	-	4,504
Special Fund	595,485	445,042	-	-
Federal Revenue Fund	251,594	-	-	1,352,288
Global Commitment Fund	66,823,523	-	-	764,334
Liquor Control Fund	-	-	-	64,652
Internal Service Funds	3,214,410	6,537,816	33,000	5,483,192
Fiduciary Funds	-	-	-	4,000
Total	$ 70,889,145	$ 6,987,866	$ 33,000	$ 7,744,357

continued below

	Due to Other Funds				
	Governmental Funds			Proprietary Funds	
Due From Other Funds	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds	Unemployment Compensation Trust Fund
General Fund	$ 1,755,439	$ 1,889,198	$ 726	$ 50,719	$ -
Transportation Fund	190	-	240	14,006	-
Special Fund	2,153,029	156,468	969,010	166,468	-
Federal Revenue Fund	-	-	82,809	478,081	-
Global Commitment Fund	10,890	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	84,302
Internal Service Funds	9,111,649	92,621	15,917	-	-
Total	$ 13,031,197	$ 2,138,287	$ 1,068,702	$ 709,274	$ 84,302

continued on following page

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	Due to Other Funds				
	Proprietary Funds				
Due From Other Funds	**Liquor Control Fund**	**State Lottery Fund**	**Non-major Enterprise Funds**	**Fiduciary Funds**	**Total**
General Fund	$ -	$ -	$ -	$ -	$ 3,772,477
Transportation Fund	-	-	-	6	23,079
Education Fund	-	391,754	-	-	391,754
Special Fund	1,118	-	469,689	-	4,956,309
Federal Revenue Fund	-	-	-	-	2,164,772
Global Commitment Fund	-	-	-	-	67,598,747
Liquor Control Fund	-	-	-	-	64,652
Non-major Enterprise Funds	-	-	-	-	84,302
Internal Service Funds	857,781	13,949	-	482	25,360,817
Fiduciary Funds	-	-	-	-	4,000
Total	$ 858,899	$ 405,703	$ 469,689	$ 488	$ 104,420,909

2. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursements needs. The General Fund advances to other funds at June 30, 2020, are summarized below:

Proprietary Funds	
State Lottery Fund	$ 300,000
Liquor Control Fund	75
Total	$ 300,075

3. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The Transportation Fund reports the corresponding interfund receivable for the cash borrowed from the Highway Garage (Internal Service) Fund. The General Fund reports the corresponding interfund receivable for the cash borrowed from the rest of the pool. The Federal Revenue Fund reports an interfund receivable for cash provided to the General Fund during fiscal year 2020. It is expected that certain amounts due the General Fund and Transportation Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payable amounts will be reduced in future years through changes to billing rates and management of operations. The amount due to the Federal Revenue Fund is expected to be repaid within one year.

The interfund receivables/payables at June 30, 2020, are as follows:

(Table on next page.)

	Interfund Receivable			
Interfund Payable	General Fund	Transportation Fund	Federal Revenue Fund	Totals
Governmental Funds				
General Fund	$ -	$ -	$ 51,183,289	$ 51,183,289
Global Commitment Fund	10,800	-	-	10,800
Proprietary Funds				
Liquor Control Fund	1,451,051	-	-	1,451,051
Non-major Enterprise Funds	255,108	-	-	255,108
Internal Service Funds	61,945,758	5,077,613	-	67,023,371
Fiduciary Funds				
Agency Funds	6,734	-	-	6,734
Total	$ 63,669,451	$ 5,077,613	$ 51,183,289	$ 119,930,353

4. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with the Vermont Economic Development Authority (VEDA) for specific programs. At June 30, 2020, the advances to component units reported in the General Fund ($5,500,000) are advances to Vermont Economic Development Authority. The advance funded a loan for a portion of a project to build a State office building. The terms of the agreement require the principal repayments on the loan be held by VEDA until the funds are requested by the State.

Due from component units/Due to primary government consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2020, these account balances are as follows:

	Vermont Housing & Conservation Board
Due from Component Units	
General Fund	$ 2,067,410
Due to Component Units	
General Fund	(412,500)
Non-major Governmental Funds	(4,064,476)
Total	$ (2,409,566)

5. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver. The General Fund received transfers from the Liquor Control fund; the Federal Revenue Fund for Earned Federal Receipts and the Special Fund for transfer of Securities, Insurance and Captive Funds. The Non-major Governmental Funds received a transfer from General fund for debt service payments. The Special Fund received transfers from the General Fund for the Tobacco Settlement Fund, the Emergency Relief and Assistance Fund and the Connectivity Fund, from the Federal Revenue Fund for the earned income tax credit for the year, and from the Global Commitment Fund for special education school-based Medicaid services. The Education Fund received transfers from the State Lottery Fund to support the general State grant for local education, and the Special Fund for Medicaid services and educational financial systems.

Interfund transfers for the fiscal year ended June 30, 2020, are as follows:

(Table on next page.)

Transfers in	Transfers Out: Governmental Funds: General Fund	Transportation Fund	Special Fund	Federal Revenue Fund
General Fund	$ -	$ -	$ 50,338,418	$ 15,874,593
Education Fund	-	-	12,529,337	-
Special Fund	4,048,077	1,476,909	-	35,211,653
Federal Revenue Fund	111,039	-	-	-
Global Commitment Fund	526,851,015	-	45,479,642	-
Non-major Governmental Funds	76,413,324	3,492,846	22,300	1,069,511
Internal Service Funds	5,748,971	355,358	-	-
Total	$ 613,172,426	$ 5,325,113	$ 108,369,697	$ 52,155,757

continued below

Transfers in	Transfers Out: Governmental Funds: Global Commitment Funds	Governmental Funds: Non-major Governmental Funds	Proprietary Funds: Liquor Control Fund	Proprietary Funds: State Lottery Fund
General Fund	$ -	$ -	$ 23,000,000	$ -
Education Fund	-	-	-	27,522,562
Special Fund	27,239,463	-	-	-
Federal Revenue Fund	-	5,736,748	-	-
Total	$ 27,239,463	$ 5,736,748	$ 23,000,000	$ 27,522,562

continued below

Transfers in	Transfers Out: Proprietary Funds: Non-major Enterprise Funds	Total
General Fund	$ 375,000	$ 89,588,011
Education Fund	-	40,051,899
Special Fund	754,283	68,730,385
Federal Revenue Fund	-	5,847,787
Global Commitment Fund	-	572,330,657
Non-major Governmental Funds	-	80,997,981
Internal Service Funds	-	6,104,329
Total	$ 1,129,283	$ 863,651,049

E. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 155,709,527	$ 5,342,948	$ -	$ -	$ 161,052,475
Construction in process	665,972,484	265,819,743	(252,869,647)	(3,351,599)	675,570,981
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	821,818,014	271,162,691	(252,869,647)	(3,351,599)	836,759,459
Capital assets, being depreciated					
Buildings and improvements	740,984,478	13,791,752	(579,246)	-	754,196,984
Machinery and equipment	569,133,996	26,983,197	(10,559,913)	-	585,557,280
Infrastructure	2,786,264,868	229,359,867	(70,510,773)	-	2,945,113,962
Total capital assets, being depreciated	4,096,383,342	270,134,816	(81,649,932)	-	4,284,868,226
Less accumulated depreciation for					
Buildings and improvements	(300,037,930)	(23,662,427)	248,362	-	(323,451,995)
Machinery and equipment	(320,890,940)	(67,089,771)	10,018,709	-	(377,962,002)
Infrastructure	(1,213,988,880)	(117,222,015)	70,510,773	-	(1,260,700,122)
Total accumulated depreciation	(1,834,917,750)	(207,974,213)	80,777,844	-	(1,962,114,119)
Capital assets, being depreciated, net	2,261,465,592	62,160,603	(872,088)	-	2,322,754,107
Governmental activities capital assets, net	$ 3,083,283,606	$ 333,323,294	$ (253,741,735)	$ (3,351,599)	$ 3,159,513,566

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	$ 59,935	$ -	$ -	$ -	$ 59,935
Machinery and equipment	5,715,440	281,921	(225,055)	-	5,772,306
Total capital assets, being depreciated	5,775,375	281,921	(225,055)	-	5,832,241
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	-	-	(59,935)
Machinery and equipment	(1,342,582)	(572,097)	213,195	-	(1,701,484)
Total accumulated depreciation	(1,402,517)	(572,097)	213,195	-	(1,761,419)
Capital assets, being depreciated, net	4,372,858	(290,176)	(11,860)	-	4,070,822
Business-type activities capital assets, net	$ 4,372,858	$ (290,176)	$ (11,860)	$ -	$ 4,070,822

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Machinery and equipment	$ 8,452,417	$ 22,994	$ -	$ -	$ 8,475,411
Total capital assets, being depreciated	8,452,417	22,994	-	-	8,475,411
Less accumulated depreciation for					
Machinery and equipment	(5,168,268)	(705,172)	-	-	(5,873,440)
Total accumulated depreciation	(5,168,268)	(705,172)	-	-	(5,873,440)
Fiduciary activities capital assets, net	$ 3,284,149	$ (682,178)	$ -	$ -	$ 2,601,971

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities

General Government	$ 27,610,176
Protection to Persons and Property	9,075,013
Human Services	39,135,790
Labor	41,370
General Education	949,373
Natural Resources	2,916,134
Commerce & Community Development	268,000
Transportation	116,502,351
Depreciation on capital assets held by Internal Service Funds	11,476,006
Total	$ 207,974,213

Business-type Activities

Liquor Control Fund	$ 564,438
State Lottery Fund	7,659
Total	$ 572,097

Fiduciary Activities

Pension Trust Funds	$ 704,126
Private Purpose Trust Fund	1,046
Total	$ 705,172

F. Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of losses and gains related to refunding of debt. The difference between the reacquisition price (the amount placed in escrow to pay for advance refunding, and the principle amount remaining plus any call premium paid in a current refunding) and the net carrying amount of the old debt, is reported as a deferred outflow if a loss on refunding of debt and a deferred inflow if a gain on refunding of debt and recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The change in deferred outflows of resources for the loss on refunding of bonds payable is as follows:

	Deferred Outflows
Balance, July 1, 2019	$ 6,298,325
Current year amortization	(1,176,695)
Balance, June 30, 2020	$ 5,121,630

The change in deferred inflows of resources for the gain on refunding of bonds payable is as follows:

	Deferred Inflows
Balance, July 1, 2019	$ -
Deferred amount on new refundings	31,186
Current year amortization	(2,810)
Balance, June 30, 2020	$ 28,376

Additional information regarding governmental and business-type activities' deferred outflows of resources and deferred inflows of resources related to pension and OPEB liabilities can be found in Note IV. G. 4.

Deferred inflows in the governmental funds Balance Sheet consist of unavailable amounts related to revenue recognition. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both available and measurable. When an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

G. Long-term Liabilities

1. General Obligation & Special Obligation Bonds Payable

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. The bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge of funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of State bridges, and construction of roadway capacity projects.

The changes in bonds principal payable for fiscal year 2020 are summarized in the following schedule:

(Table on next page.)

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2019	$ 584,050,000	$ 25,115,000	$ 609,165,000
Additions:			
Issuances	127,780,000	-	127,780,000
Total	127,780,000	-	127,780,000
Deductions:			
Redemptions	(54,460,000)	(1,675,000)	(56,135,000)
Defeasance	(44,375,000)	-	(44,375,000)
Total	(98,835,000)	(1,675,000)	(100,510,000)
Balance, June 30, 2020	$ 612,995,000	$ 23,440,000	$ 636,435,000

General obligation and special obligation transportation infrastructure bonds outstanding at June 30, 2020, are shown on the following page:

General Obligation and Special Obligation Transportation Infrastructure Bonds Outstanding at June 30, 2020

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value — Sources of Payments — General Fund	Maturity Value — Sources of Payments — Transportation Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:						
10/26/2010	8/15/2030	1.45 to 4.7	$ 46,250,000	$ 38,750,000	$ -	$ 38,750,000
11/30/2010	8/15/2020	1.5 to 5.0	25,000,000	2,500,000	-	2,500,000
3/21/2012	8/15/2022	0.6 to 3.0	25,000,000	6,650,000	-	6,650,000
3/21/2012	8/15/2030	3.0 to 3.5	28,000,000	28,000,000	-	28,000,000
3/21/2012	8/15/2025	0.6 to 5.0	69,060,000	35,966,540	473,460	36,440,000
10/11/2012	8/15/2024	2.0 to 5.0	26,765,000	12,165,000	-	12,165,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	48,400,000	-	48,400,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	8,585,000	-	8,585,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	38,875,000	-	38,875,000
11/14/2013	8/15/2024	3.0 to 5.0	18,935,000	3,945,000	-	3,945,000
12/9/2014	8/15/2029	0.14 to 5.0	20,310,000	11,645,000	-	11,645,000
12/9/2014	8/15/2034	5	53,245,000	43,510,000	-	43,510,000
12/9/2014	8/15/2027	3.0 to 5.0	36,205,000	19,910,000	-	19,910,000
10/22/2015	8/15/2030	2.0 to 5.0	28,515,000	21,525,000	-	21,525,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	50,355,000	-	50,355,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	20,550,000	2,340,000	22,890,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	29,335,000	-	29,335,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	66,150,000	-	66,150,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	83,840,000	-	83,840,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	39,525,000	-	39,525,000
Total General Obligation Current Interest Bonds				**610,181,540**	**2,813,460**	**612,995,000**
Special Obligation Transportation Infrastructure Bonds:						
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000	-	8,200,000	8,200,000
8/9/2012	6/15/2032	2.0 to 3.0	10,820,000	-	7,060,000	7,060,000
8/8/2013	6/15/2033	3.0 to 4.25	11,165,000	-	8,180,000	8,180,000
Total Special Obligation Transportation Bonds				-	23,440,000	23,440,000
Total General Obligation and Special Obligation Bonds				**$ 610,181,540**	**$ 26,253,460**	**$ 636,435,000**

At June 30, 2020, there remains $132,613,895 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2020 are as follows:

Fiscal	General Obligation Current Interest Bonds		Special Obligation Current Interest Bonds		
Year	Principal	Interest	Principal	Interest	Total
2021	$ 54,095,000	$ 22,779,651	$ 1,730,000	$ 772,613	$ 79,377,264
2022	51,225,000	20,712,994	1,785,000	720,863	74,443,857
2023	49,370,000	18,719,538	1,835,000	667,363	70,591,901
2024	46,860,000	16,755,506	1,885,000	617,713	66,118,219
2025	46,815,000	14,823,850	1,945,000	561,275	64,145,125
2026-2030	202,765,000	48,001,513	10,680,000	1,819,975	263,266,488
2031-2035	123,825,000	16,190,713	3,580,000	250,273	143,845,986
2036-2040	38,040,000	2,198,696	-	-	40,238,696
Totals	$ 612,995,000	$ 160,182,461	$ 23,440,000	$ 5,410,075	$ 802,027,536

2. Bond Refundings

During the 2020 fiscal year, the State issued general obligation refunding bonds 2019 Series B in the amount of $39,525,000 to be used solely to refund portions of the State's general obligation bonds. Through a current refunding, $36,000,000 outstanding principal of the 2010 Series A-2 - General Obligation Bonds (Federally Taxable – Build America Bonds), $6,135,000 outstanding principal of the 2010 Series C-1 - General Obligation Refunding Bonds and $2,240,000 outstanding principal of the 2010 Series C-2 – General Obligation Refunding Bonds, for a total of $44,375,000 were called and refunded on September 16, 2019, and the liabilities have been removed from the State's financial statements. The net carrying value of the refunded debt was $44,406,186.

Total proceeds inclusive of premium for the 2019 Series B is $44,804,530; $322,571 was paid in refunding bond issuance costs, and $44,375,000 was paid to the bond escrow agent to call and refund the bonds. Accrued interest of $174,663 was paid on the refunded bonds at the time they were called and refunded.

The State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by $3,745,595 over the eleven years ending August 2029. The economic gain (the present value of the debt service savings) for the State through this transaction is $3,454,082 using a discount rate of 1.5235397%.

3. Lease Commitments

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

Total lease payments paid by the primary government in fiscal year 2020 was $15,255,604 for operating leases of which $15,032,735 was paid for property leases, $188,915 for equipment leases, $26,783 for non-cancellable land leases and $7,171 for cancellable land rentals.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2020:

	Primary Government		
Fiscal Year	Non-Cancelable Leases	Cancelable Leases	Total
2021	$ 13,990,168	$ 5,171	$ 13,995,339
2022	12,650,433	1,946	12,652,379
2023	10,898,619	1,630	10,900,249
2024	9,079,216	1,630	9,080,846
2025	6,316,886	1,630	6,318,516
2026 - 2030	22,587,099	6,500	22,593,599
2031 - 2035	3,351,441	5,400	3,356,841
2036 - 2040	450	2,160	2,610
Totals	$ 78,874,312	$ 26,067	$ 78,900,379

B. Capital Leases

As of June 30, 2020, the historical cost of the primary government's assets acquired through capital leases was $13,028,832 for buildings and improvements, less accumulated depreciation of $5,608,313 results in a net amount of $7,420,519 for primary government's assets acquired through capital leases.

The State Office Building Redevelopment Project in Downtown St. Albans commenced in 2013. Under this multi-part downtown redevelopment strategy, the Department of Buildings and General Services enter a building lease for the primary government. The lease payments paid by the primary government in fiscal 2020 was $835,079.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2020 are as follows:

(Table on next page.)

Fiscal Year	Primary Government
2021	$ 853,868
2022	873,080
2023	892,724
2024	912,810
2025	933,349
2026 - 2030	4,991,360
2031 - 2035	4,892,305
Total minimum lease payments	14,349,496
Less interest	(5,192,166)
Present value of minimum lease payments	$ 9,157,330

4. Retirement Plans and Other Postemployment Benefits

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and three defined contribution plans. In addition to providing pension benefits, the State also offers other postemployment medical insurance benefit plans to retirees of the Vermont State Retirement System and State Teachers' Retirement System. Disclosures relating to defined benefit pension plans are included in 4. A. below, those relating to defined contribution pension plans are included in 4. B. below, and those relating to other postemployment benefits (OPEB) are included in 4. C. below.

These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension and other postemployment benefit trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments
The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the pension and OPEB plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2020. Securities without an established market are reported at estimated fair value. Additional information on the plans' investments may be found in Note IV. B. - Investments.

The State annually establishes a state defined benefit retirement contribution rate. The fiscal year 2020 employer contribution rate was 21.40% of payroll and consists of the following two components: 14.82% for Vermont State Retirement System defined benefit pension plan (VSRS) and 6.58% for the Vermont State Postemployment Benefits Trust Fund defined benefit OPEB plan (VSPB). The rates reflect estimates to fund the VSRS actuarially determined contribution and the VSPB pay-as-you-go amounts. These amounts are estimates and may differ from the funding required to meet VSPB pay-as-you-go amounts. Currently, contributions in excess of VSPB pay-as-you-go amounts are deposited directly to VSRS. Contributions to VSRS and VSPB totaled $84.4 million and $38.6 million, respectively, for the fiscal year ended June 30, 2020.

A. Defined Benefit Retirement Plans

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit Retirement Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; an analysis of the membership of the various groups of the various plans as of the end of the fiscal year; a discussion of benefits provided by each of the plans, and the financial statements of each of the three defined benefit plans.

The second section (Financial Reporting of Net Pension Liability and Pension Expense by the Employer as required by GASB Statement No. 68) provides funding information regarding the pension plans that are required by GASB Statement No. 68 - changes in net pension liability (NPL), balances of deferred pension outflows of resources and deferred pension inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of pension expense for the year.

The third section (Net Pension Liability and Disclosures required by GASB Statement No. 67) provides the information that is required by GASB Statement No. 67 - the calculation of the net pension liability; the actuarial assumptions and census data that were used in calculating that NPL; the discount rate that was used in the calculations; and the sensitivity of the NPL to changes in the discount rate. The Statement of Plan Net Position and the Statement of Changes in Plan Net Position for the fiscal year ended June 30, 2020 are included at the end of this section.

1. Disclosures about the Defined Benefit Retirement Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 67, including the plan descriptions, benefits and membership at June 30, 2020.

Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single employer defined benefit pension plan which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the Governor; State Treasurer; Commissioner of Human Resources; Commissioner of Finance and Management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association).

The Vermont State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2020, the retirement system consisted of 134 participating employers.

Management of the plan is vested in the STRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the members of the system under rules adopted by the board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer defined benefit pension plan designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system. During the year ended June 30, 2020, the retirement system consisted of 352 participating employers.

Management of the plan is vested in the MERS Retirement Board of Trustees, which consists of the State Treasurer; two employee representatives who at all times during their term of office are contributing members and have completed five years of creditable service (each elected by the membership of the system); one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (elected by the membership of the system) and one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (appointed by the Governor from candidates jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association).

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

Membership of the Vermont State Retirement System is made up of the following:

- General employees who did not join the non-contributory system on July 1, 1981 (Group A);
- State police, law enforcement positions, and airport firefighters (Group C);
- Judges (Group D); and
- Terminated vested members of the non-contributory system and all other general employees (Group F).

Membership of the State Teachers' Retirement System is made up of the following:

- General teachers who did not join the non-contributory system on July 1, 1981 (Group A); and
- Terminated vested members of the non-contributory system and all other general teachers (Group C).

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

- General employees whose legislative bodies have not elected to become a member of Group B or Group C (Group A);
- General employees whose legislative bodies have elected to become members of Group B or Group C (Group B & C); and
- Sworn police officers, firefighters and emergency medical personnel (Group D)

At June 30, 2020, the State Treasurer's Office reports the following membership of each of the defined benefit plans by status and group:

	Vermont State Retirement System	Vermont State Teachers Retirement System	Vermont Municipal Employees Retirement System
Total Active Members	8,539	9,996	7,987
Retirees and beneficiaries currently receiving benefits	7,424	9,843	3,693
Terminated employees entitled to benefits but not yet receiving them (vested)	768	887	927
Inactive members	1,482	2,710	2,941
Total Members	18,213	23,436	15,548

Contributions

Vermont State Retirement System. Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of state contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2020 for the various groups are as follows:

Vermont State Retirement System	Group A	Group C	Group D	Group F
Employee Contributions	6.65% of gross payroll	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll
Employer Contributions	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll

State Teachers' Retirement System. Title 16 VSA Chapter 55 of Vermont Statutes grant the authority to the board of trustees of the system to annually review the amount of State contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2020 for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	Group C - Group #1	Group C - Group #2
Employee Contributions	5.50% of gross salary	5.00% of gross salary	5.00% of gross salary for members with at least 5 years of service as of 7/1/2014, and 6.00% of gross salary for members with less than 5 years of service as of 7/1/2014
Non-employer Contributions	Appropriation based on June 2018 actuarial recommendation of amount needed to fund benefits earned during the year (1.08% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period ($119,080,624).		

Vermont Municipal Employees Retirement System. Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2020, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Benefits provided

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16 for the Vermont State Retirement System, in accordance with 16 V.S.A. Chapter 55 for the Vermont State Teachers Retirement System, and in accordance with 24 V.S.A Chapter 125 for the Vermont Municipal Employees Retirement System.

Details of the pension benefits provided by each of the retirement plans are included on the next 3 pages:

(Notes continue on next page.)

Vermont State Retirement System	Group A	Group C	Group D	Group F *Hired Before 7/1/08*	Group F *Hired On or After 7/1/08*
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	Final salary at retirement	Highest 3 consecutive years, excluding unused annual leave payoff	Same
Benefit Formula	1.67% X AFC x creditable service	2.5% X AFC x creditable service up to 20 years	3.33% X AFC x creditable service (after 12 years in Group D)	1.25% X AFC x service prior to 12/31/90 + 1.67% X AFC x service after 1/1/91	Same
Maximum Benefit Payable	100% of AFC	50% of AFC	100% of Final Salary	50% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 62 with 20 years of service	Age 55 (mandatory) with 5 years of service	Age 62 with 5 years of service	Age 62 or with 30 years of service	Age 65 or a combination of age & service credit that equals 87
Early Retirement Eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service or 30 years of service (any age)	Age 55 with 5 years of service	Same
Early Retirement Reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	No reduction if 30 years of service; otherwise, 6% per year preceding age 62	No reduction if age 65 with 5 years of service, or if combination of age and service equal to 87; otherwise, monthly reduction preceding age 65 based on years of service: 35+ years - 1/8th of 1%; 30-34 years - 1/4th of 1%; 25-29 years - 1/3rd of 1%; 20-24 years - 5/12th of 1%; less than 20 years - 5/9th of 1%
Post-Retirement COLA*	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	For members retiring on or after 07/01/2008, 100% of a fiscal year CPI increase. For members who retired before 07/01/2008, 50% of a fiscal year CPI increase. Annual COLA adjustments have a minimum of 1% and maximum of 5%	Annual COLA adjustments are 100% of a fiscal year CPI increase, with a minimum of 1% and maximum of 5%
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of three concurrently	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Same
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	70% of accrued benefit with no actuarial reduction applied, plus children's benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Same

* Note: Annual post-retirement Cost of Living Adjustment (COLA) applies beginning the first January after receiving at least 12 pension payments and reaching normal retirement age.

(Notes continue on next page.)

Vermont State Teachers Retirement System	Group A	Group C - Group #1 *	Group C - Group #2 ++
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit Formula	1.67% X creditable service X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC, 2% X AFC after attaining 20.0 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service credit equals 90
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Post-Retirement COLA	Full CPI, up to a maximum of 5%, after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5% minimum of 1% after 12 months of normal retirement or age 65
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefit up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 members who were under 57 years of age or had less than 25 years of service on June 30, 2010.

(Notes continue on next page.)

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit Formula	1.4% X creditable service X AFC	1.7% X creditable service X AFC + previous service:1.4% X Group A X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC; 2.5% X Group C X AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 55 with 35 years of service	Age 62 with 5 years of service or 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction
Post-Retirement COLA	50 % of CPI, up to 2% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year
Disability Benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit plus children's benefit representing 10% of AFC to maximum of three concurrently
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	70% of accrued benefit with no actuarial reduction applied, plus children's benefit

** A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

2. Employer Reporting of Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension Plans as required by GASB Statement No. 68

This section includes the information that is required to be reported by employers per GASB Statement No. 68. It reports information regarding the calculation of the State's net pension liability, including changes during the measurement period in both total pension liability and plan net position; balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the calculation of pension expense. In addition to presenting the NPL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

The State is responsible for 98.3137% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.6863% of the VSRS net pension liability. The State is responsible for 100% of the STRS net pension liability as a non-employer contributing entity. The information is presented in this section is for those two plans. The State does not participate in the MERS plan, so no employer information is presented for that plan.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the State's reporting date (June 30, 2020) and for the State's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the State has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net Pension Liabilities (Employer Reporting)

The net pension liability (NPL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	Vermont State Retirement System			State Teachers' Retirement System		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances - June 30, 2018	$ 2,608,559	$ 1,841,500	$ 767,059	$ 3,343,078	$ 1,832,373	$ 1,510,705
Changes for the year:						
Service cost	51,946	-	51,946	39,766	-	39,766
Interest	194,126	-	194,126	246,468	-	246,468
Difference between expected and actual experience	40,476	-	40,476	28,998	-	28,998
Contributions - employer	-	66,618	(66,618)	-	-	-
Contributions - non-employer	-	-	-	-	113,748	(113,748)
Contributions - employee	-	40,818	(40,818)	-	39,075	(39,075)
Net investment income	-	106,777	(106,777)	-	109,429	(109,429)
Benefit payments, including refunds of contributions	(144,297)	(144,297)	-	(193,197)	(193,197)	-
Administrative expenses	-	(2,246)	2,246	-	(2,715)	2,715
Other changes	-	299	(299)	-	5,775	(5,775)
Net changes	142,251	67,969	74,282	122,035	72,115	49,920
Balances - June 30, 2019	$ 2,750,810	$ 1,909,469	$ 841,341	$ 3,465,113	$ 1,904,488	$ 1,560,625
Fiduciary net position as a percentage of total pension liability			69.41%			54.96%

Proportionate Share of Net Pension Liability

	VSRS				
			Proportionate Share		
		Amount	2019	2018	Change
Governmental activities	$	821,709	97.6666%	97.4913%	0.1753%
Business type activities		5,444	0.6471%	0.7274%	-0.0803%
Discrete component unit		14,188	1.6863%	1.7813%	-0.0950%
Total net pension liability	$	841,341	100.0000%	100.0000%	

Additional information regarding the changes in the net pension liability for the year ended June 30, 2020 can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources (Employer Reporting)

Most changes in the net pension liability are included in pension expense during the year of change. Changes resulting from current-period service cost, interest on the total pension liability, and changes in benefit terms are required to be included in pension expense immediately. Similarly, projected earnings on the pension plan's investments are also required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods, depending on the nature of the change.

The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that pensions arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related pension measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net pension liability at June 30, 2021. As of June 30, 2020, the State reported the following deferred pension outflows of resources and deferred pension inflows of resources (amounts are in thousands):

(Table on next page.)

Source	Vermont State Retirement System			
	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,076	$ -	$ 1,819	$ -
Changes of assumptions	31,202	7,162	535	123
Net differences between projected and actual earnings on plan investments	31,699	-	545	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,131	968	423	586
Employer contributions made subsequent to the measurement date	83,016	-	1,414	-
Total	$ 253,124	$ 8,130	$ 4,736	$ 709

Source	State Teachers' Retirement System	
	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,613	$ -
Changes of assumptions	46,462	16,478
Net differences between projected and actual earnings on plan investments	26,759	-
Employer contributions made subsequent to the measurement date	120,247	-
Total	$ 248,081	$ 16,478

Source	Primary Government	
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,689	$ -
Changes of assumptions	77,664	23,640
Net differences between projected and actual earnings on plan investments	58,458	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,131	968
Employer contributions made subsequent to the measurement date	203,263	-
Total	$ 501,205	$ 24,608

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - $83.016 million Primary Government and $1.414 million Component Units; and STRS - $120.247 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows (amounts are in thousands):

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
Year Ended June 30	**Primary Government**	**Primary Government**	**Primary Government**	**Discrete Component Units**
2021	$ 82,118	$ 62,029	$ 144,147	$ 1,002
2022	10,622	29,509	40,131	500
2023	13,296	37,531	50,827	674
2024	5,320	26,185	31,505	415
2025	-	6,724	6,724	22
Total	$ 111,356	$ 161,978	$ 273,334	$ 2,613

Pension Expense (Employer Reporting)

As discussed above, most changes in the net pension liability are included in pension expense in the year of change, including changes resulting from current-period service cost, interest on the total pension liability, changes in benefit terms, and projected earnings on the pension plan's investments. Other changes in net pension liability are recorded as deferred pension outflows of resources and deferred pension inflows of resources, and included in pension expense on a systematic and rational manner over current and future periods.

Pension expense for the year ended June 30, 2020, is as follows (amounts are in thousands):

(Table on next page.)

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
	Primary Government	Primary Government	Primary Government	Discrete Component Units
Service cost	$ 39,766	$ 51,071	$ 90,837	$ 875
Interest on total pension liability	246,468	190,854	437,322	3,273
Employee contributions	(39,075)	(40,130)	(79,205)	(688)
Plan administrative costs	2,715	2,208	4,923	38
Other changes	(5,775)	(294)	(6,069)	(5)
Projected earnings on plan investments	(136,029)	(134,353)	(270,382)	(2,305)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience	7,249	6,632	13,881	114
Net difference between projected and actual investment earnings	5,320	5,875	11,195	101
Recognition of deferred outflows from prior periods	107,292	80,432	187,724	1,380
Changes in proportional share of contributions	-	415	415	122
Recognition (amortization) of deferred pension inflows of resources:				
Recognition of deferred inflows from prior periods	(10,045)	(3,581)	(13,626)	(61)
Changes in proportional share of contributions	-	(283)	(283)	(254)
Total Pension Expense	$ 217,886	$ 158,846	$ 376,732	$ 2,590

Actuarial Methods and Assumptions (Employer Reporting)

Methods and assumptions used to determine pension expense and the total pension liability are based on a valuation date of June 30, 2018 for VSRS and STRS.

(Table on next page.)

	VSRS	STRS
Valuation date	6/30/2018*	6/30/2018*
Inflation assumptions	2.50%	2.50%
Investment rate of return	7.50%	7.50%
Projected salary increases	3.50% - 7.04%	3.75% - 9.09%
Cost of living adjustments	Groups A, C & D: 2.55%; Group F: 1.4% and Group F retiring after 7/1/08: 2.55%	Group A: 2.55%; Group C: 1.4%
Post Retirement Adjustments Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C, D - 5%	Group A - 5%
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 2.55%	For those eligible for increases of 100% of CPI change - 2.55%
	For those eligible for increases of 50% of CPI change - 1.4%	For those eligible for increases of 50% of CPI change - 1.4%
Census Data for 2018 Valuation Retired members or beneficiaries currently receiving benefits	6,974	9,269
Inactive members	1,267	2,613
Active members	8,530	9,892
Terminated vested members	753	787
Total membership	17,524	22,561
*Valuation date is rolled forward to the measurement date of June 30, 2019 using standard actuarial techniques		

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017. Mortality rates for active employees in Group C were based on RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017. Mortality rates for active employees in Group D were based on RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017. Mortality rates for retirees and beneficiaries in Group C were based on RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017. Mortality rates for retirees and beneficiaries in Group D were based on RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* Groups A, C, D, and F were based on RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality*: All Groups were based on 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.
- *Post-retirement Mortality*: All Groups were based on 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.
- *Disabled Mortality:* All Groups were based on the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2014. Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the actuarially required contribution. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 measurement date are summarized in the following table:

Asset Class	**Asset Allocation**	**Real Rate of Return**
Global Equity	29.00%	6.90%
US Equity – Large Cap	4.00%	5.94%
US Equity – Small/Mid Cap	3.00%	6.72%
Non-US Equity – Large Cap	5.00%	6.81%
Non-US Equity – Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.5%.

Discount Rate (Employer Reporting)

The discount rate used to measure the total pension liability as of June 30, 2019 measurement date was 7.50% for the VSRS and STRS. The discount rate used for the prior year was 7.50% for the VSRS and STRS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2019 measurement date was 5.90% for VSRS, and 6.10% for STRS. Amounts for the prior year were 6.73%, and 6.99% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the net pension liability of the various retirement systems (at the June 30, 2019 measurement date), calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

	VSRS	STRS
One-percent decrease		
Discount rate	6.50%	6.50%
Net pension liability	$ 1,176,832	$ 1,938,120
Net pension liability, as reported		
Discount rate	7.50%	7.50%
Net pension liability	$ 841,341	$ 1,560,625
One-percent increase		
Discount rate	8.50%	8.50%
Net pension liability	$ 563,638	$ 1,242,124

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2020, the State reported a payable of $7,970,031 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2020.

3. Net Pension Liability and Disclosures required by GASB Statement No. 67 (Plan Reporting)

This section includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statements for the defined benefit plans for the year ended June 30, 2020. Separate valuations were performed by the State's actuary to calculate the total pension liability in accordance with this standard for financial reporting by pension plans and calculates the net pension liability (NPL). The plans' valuations as of June 30, 2019 were rolled forward to the pension plans' fiscal year end of June 30, 2020. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

Net Pension Liabilities (Plan Reporting)

The components of the net pension liabilities of the defined benefit retirement plans at June 30, 2020, are shown as follows with amounts in thousands:

	Vermont State Retirement System	Vermont State Teachers' Retirement System	Vermont Municipal Employees Retirement System
Total pension liability	$ 3,070,253	$ 3,902,618	$ 993,027
Fiduciary net position	(1,959,067)	(1,951,490)	(740,053)
Net pension liability	$ 1,111,186	$ 1,951,128	$ 252,974
Fiduciary net position as a percentage of total pension liability	63.81%	50.00%	74.52%

Additional information regarding changes in the net pension liability for the year ended June 30, 2020 can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2020 total pension liability was determined by rolling forward the total pension liability as of June 30, 2019 to June 30, 2020, using the actuarial assumptions and methods used in the June 30, 2019 actuarial valuation of the plans. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

(Table on next page.)

	VSRS	STRS	MERS
Valuation date	6/30/2019*	6/30/2019*	6/30/2019*
Inflation assumptions	2.30%	2.30%	2.30%
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.30% - 10.50%	4.50% - 7.00%
Cost of living adjustments	Groups A, C & D and F (retiring on or after 7/1/2008): 2.40%; Group F (retiring before 7/1/2008) : 1.35%	Group A: 2.40%; Group C: 1.35%	Group A: 1.10%; Groups B, C, & D: 1.20%
Post Retirement Adjustments Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C, D, F (retired on or after 7/1/2008) - 5%	Group A - 5%	N/A
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated	Group F (retired before 7/1/2008) - 5%	Group C - 5%	Group A - 2%, Groups B,C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 2.40%	For those eligible for increases of 100% of CPI change - 2.40%	
	For those eligible for increases of 50% of CPI change - 1.35%	For those eligible for increases of 50% of CPI change - 1.35%	
Census Data for 2019 Valuation Retired members or beneficiaries currently receiving benefits	7,268	9,514	3,415
Inactive members	1,443	2,756	2,814
Active members	8,443	9,862	7,630
Terminated vested members	747	819	896
Total membership	17,901	22,951	14,755
*Valuation date is rolled forward to the measurement date of June 30, 2020 using standard actuarial techniques			

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A & F: 60% of PubG-2010 General Employee Amount-Weighted Above Median, 40% of PubG-2010 General Employee Amount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Amount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Amount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: Groups A & F: 109% of PubG-2010 General Healthy Retiree Amount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Amount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Amount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Amount-Weighted Above Median with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: Groups A & F: Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Amount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Amount-Weighted Above Median with generational projection using MP-2019.

• *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

• *Pre-retirement Mortality*: All Groups were based on the PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2019.

• *Post-retirement Retiree Mortality*: All Groups based on the Teacher Healthy Retiree Amount-Weighted Table with generational projection using scale MP-2019.

• *Post-retirement Beneficiaries Mortality*: All Groups based on 109% of the Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2019

• *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont Municipal Employees Retirement System

• *Pre-retirement Mortality*: Groups A/B/C: 40% PubG-2010 General Employee amount-weighted below-median and 60% of PubG-2010 General Employee amount-weighted, with generational projection using Scale MP-2019. Group D: PubG-2010 General Employee amount-weighted above-median, with generational projection using scale MP-2019.

• *Post-retirement Retiree Mortality*: Groups A/B/C: 104% of 40% PubG-2010 General Healthy Retiree amount-weighted below-median and 60% of PubG-2010 General Employee amount-weighted, with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree amount-weighted, with generational projection using scale MP-2019.

• *Post-retirement Beneficiaries Mortality*: Groups A/B/C: 70% Pub-2010 Contingent Survivor amount-weighted below-median and 30% of Pub-2010 Contingent Survivor amount-weighted, with generational projection using scale MP-2019. Group D: Pub-2010 Contingent Survivor amount-weighted, with generational projection using scale MP-2019.

• *Disabled Mortality:* All groups were based on the PubNS-2010 Non-Safety Disabled Retiree amount-weighted with generational projection using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

(Table on next page.)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity – Large Cap	4.00%	6.19%
US Equity – Small/Mid Cap	3.00%	6.93%
Non-US Equity – Large Cap	5.00%	7.01%
Non-US Equity – Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bond	20.00%	0.39%
Private & Alternate Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.30%.

Discount Rate (Plan Reporting)

The discount rate used to measure the total pension liability was 7.00% for the VSRS, STRS, and MERS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2020 was 3.90% for VSRS, 4.10% for STRS, and 3.90% for MERS. Amounts for the prior year were 5.90%, 6.10% and 5.80% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the net pension liability of the various retirement systems, calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

(Table on next page.)

	VSRS	STRS	MERS
One-percent decrease			
Discount rate	6.00%	6.00%	6.00%
Net pension liability	$ 1,511,458	$ 2,430,339	$ 386,493
Net pension liability, as reported			
Discount rate	7.00%	7.00%	7.00%
Net pension liability	$ 1,111,186	$ 1,951,128	$ 252,974
One-percent increase			
Discount rate	8.00%	8.00%	8.00%
Net pension liability	$ 781,521	$ 1,552,656	$ 143,116

The defined benefit plans financial statements are on the following two pages:

(Notes continue on next page.)

Statement of Fiduciary Net Position
Defined Benefit Plans
June 30, 2020

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 23,139,051	$ 23,670,208	$ 12,700,310
Receivables			
Contributions - current	11,119,592	6,108,205	5,061,536
Contributions - non-current	-	-	6,314,229
Investments sold	33,198,376	33,800,692	11,977,262
Interest and dividends	871,526	875,288	683,170
Due from other funds	74,484	6,735	544,145
Other	8,774,022	11,861,392	3,403,655
Investments			
Fixed income	129,613,142	130,276,831	46,768,960
Equities	142,912,040	145,129,679	55,914,524
Mutual and commingled funds	1,416,006,540	1,399,433,006	528,958,025
Real estate and private partnerships	251,830,930	258,638,945	88,431,147
Prepaid expenses	61,720	72,007	37,718
Capital assets, net of depreciation	993,281	1,176,697	429,065
Total assets	2,018,594,704	2,011,049,685	761,223,746
Liabilities			
Accounts payable	1,401,133	616,693	232,582
Investments purchased	58,069,597	58,607,749	20,938,238
Due to other funds	57,334	335,361	32
Total liabilities	59,528,064	59,559,803	21,170,852
Net position restricted for employees' pension benefits	$ 1,959,066,640	$ 1,951,489,882	$ 740,052,894

Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2020

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 84,429,972	$ -	$ 20,680,856
Non-employer - pension benefit	-	120,247,389	-
Plan member	40,902,188	40,598,283	20,771,304
Transfers from other pension trust funds	594,069	408,259	459,660
Other revenues	-	6,694,193	-
Total contributions	125,926,229	167,948,124	41,911,820
Investment Income			
Net appreciation in fair value of investments	63,820,001	68,060,322	23,172,555
Dividends	13,502,745	13,480,895	4,860,638
Interest income	4,031,164	4,000,934	1,981,187
Other income	120,239	161,724	43,338
Total investment income	81,474,149	85,703,875	30,057,718
Less Investment Expenses			
Investment managers and consultants	2,509,639	2,598,556	943,932
Net investment income	78,964,510	83,105,319	29,113,786
Total additions	204,890,739	251,053,443	71,025,606
Deductions			
Retirement benefits	148,336,649	198,755,235	36,124,010
Refunds of contributions	3,494,656	1,885,974	1,951,540
Death claims	488,556	546,743	251,990
Transfers to other pension trust funds	705,670	49,219	756,584
Depreciation	268,218	318,423	117,485
Administration expenses	2,000,173	2,496,531	1,236,935
Total deductions	155,293,922	204,052,125	40,438,544
Change in net position	49,596,817	47,001,318	30,587,062
Net position restricted for employees' pension benefits			
July 1, 2019	1,909,469,823	1,904,488,564	709,465,832
June 30, 2020	$ 1,959,066,640	$ 1,951,489,882	$ 740,052,894

B. Defined Contribution Retirement Plans

Retirement Plan Descriptions

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional single employer defined contribution pension plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan. Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ended June 30, 2020, member contributions totaled $752,992 with State employer contributions at $1,931,937. As of June 30, 2020, the Vermont State Defined Contribution Plan's net position totaled $71,101,946 and there were 562 participants.

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070), a multiple employer defined contribution pension plan, was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees are required to contribute at the rate of 5% of earnable compensation. Employers are required to contribute at the rate of 5.125%. Employees become vested in the plan after 12 months of service. During the fiscal year ended June 30, 2020, member contributions totaled $492,032 and employer contributions at $501,426. As of June 30, 2020, the Municipal Employees' Defined Contribution Plan's net position totaled $25,051,763 and there were 445 participants.

The Single Deposit Investment Account (SDIA), a non-contributory multiple employer defined contribution pension plan reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2020 there were 910 members, with net position of $32,910,149 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows:

Statement of Fiduciary Net Position
Defined Contribution Plans
June 30, 2020

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 32,181	$ -	$ 49,093
Receivables			
Contributions	169,944	-	12,669
Other	-	-	2,430
Investments			
Mutual and commingled funds	70,977,324	32,910,149	25,145,954
Total assets	71,179,449	32,910,149	25,210,146
Liabilities			
Accounts payable	3,019	-	361
Due to other funds	74,484	-	158,022
Total liabilities	77,503	-	158,383
Net position restricted for employees' pension benefits	$ 71,101,946	$ 32,910,149	$ 25,051,763

Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2020

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 1,931,937	$ -	$ 501,426
Plan member	752,992	-	492,032
Transfers from other pension trust funds	34,731	-	14,754
Total contributions	2,719,660	-	1,008,212
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,634,702	-	955,989
Dividends	1,334,246	874,621	388,856
Interest income	683	-	960
Other income	3,164	8	397
Total investment income	2,972,795	874,629	1,346,202
Less Investment Expenses			
Investment managers and consultants	-	49,971	-
Net investment income	2,972,795	824,658	1,346,202
Total additions	5,692,455	824,658	2,354,414
Deductions			
Retirement benefits	605,644	3,803,634	488,537
Transfers to non-state systems	3,422,302	1,056,353	760,729
Operating expenses	115,575	-	117,246
Total deductions	4,143,521	4,859,987	1,366,512
Change in net position	1,548,934	(4,035,329)	987,902
Net position restricted for employees' pension benefits			
July 1, 2019	69,553,012	36,945,478	24,063,861
June 30, 2020	$ 71,101,946	$ 32,910,149	$ 25,051,763

C. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the State offers postemployment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The State reports under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB Statement No. 75 requires employers and nonemployer contributing entities to report their net OPEB liability on their financial statements.

Defined Benefit OPEB Plans

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit OPEB Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; a discussion of benefits provided by each of the plans.

The second section (Financial Reporting of Net OPEB Liability and OPEB Expense by the Employer as required by GASB Statement No. 75) provides funding information regarding the OPEB plans that are required by GASB Statement No. 75 - changes in net OPEB liability, balances of deferred OPEB outflows of resources and deferred OPEB inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of OPEB expense for the year.

The third section (Net OPEB Liability and Disclosures required by GASB Statement No. 74) provides the information that is required by GASB Statement No. 74 - the calculation of the net OPEB liability (NOL); the actuarial assumptions and census data that were used in calculating that NOL; the discount rate that was used in the calculations; and the sensitivity of the NOL to changes in the discount rate.

1.Disclosures about the Defined OPEB Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 74, including the plan descriptions, contribution information, benefits and membership at June 30, 2020.

Plan Descriptions and Contribution Information

Vermont State Postemployment Benefits Trust Fund

The Vermont State Postemployment Benefits Trust Fund (VSPB) (3 V.S.A. 479a), a single employer defined benefit OPEB plan, was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the Vermont State Retirement System (VSRS).

The VSPB is managed by the VSRS Retirement Board (see VSRS in 4.A.1 above). Title 3 V.S.A. Chapters 16 and 21 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined; however, the State has elected to pay State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2020, were $38,599,577, which is 6.96% of covered payroll. Employees are not required to contribute to the OPEB plan.

Benefits are provided through the State’s self-insured Medical Insurance Fund (an internal service fund). VSPB plan members have access to the same benefit plans as active employees.

State employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal) may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases their spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

Vermont State Retirement System's defined benefit plan Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. For all other Vermont State Retirement System's active employees, if the employee does not retire directly from State service (inactive members), they are not eligible to participate in the State's medical insurance plan. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal year 2008, Vermont State Retirement System's defined benefit plan Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

Retired Teachers' Health and Medical Benefit Fund

The Retired Teachers' Health and Medical Benefit Fund (RTHMB) (16 V.S.A. 1944b), a cost-sharing multiple employer defined benefit OPEB plan with a special funding situation, was created by the legislature on July 1, 2014, to explicitly appropriate State contributions to the fund for health care expenses separate from the State's contribution to the State Teachers' Retirement System (STRS) pension trust fund. Prior to fiscal year 2015, the health care expenses for the STRS's retirees were paid through a sub-fund of the defined benefit pension trust fund and no State contribution was explicitly budgeted or funded.

The RTHMB is managed by the STRS Retirement Board (see STRS in 4.A.1 above). Title 16 V.S.A. Chapter 55 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined; however, the State has elected to appropriate State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2020, were $35,176,080, which is 5.63% of covered payroll. Employees are not required to contribute to the OPEB plan.

Retirees of the STRS participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

STRS's members have access to medical benefit plans in retirement as offered by VEHI. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the system picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with

Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

During fiscal year 2020 there were 134 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2020:

	VSRS - VSPB	STRS - RTHMB
Retired members or beneficiaries currently receiving benefits	5,358	7,278
Retired members or beneficiaries not receiving benefits	-	2,657
Vested terminated members entitled to but not yet receiving benefits	-	1,868
Active members	8,822	9,996
Total	14,180	21,799

2. Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans as required by GASB Statement No. 75

This section includes the information that is required to be reported by employers per GASB Statement No. 75. It reports information regarding the calculation of the State's net OPEB liability, including changes during the measurement period in both total OPEB liability and plan net position; balances in the various components of deferred OPEB outflows of resources and deferred OPEB inflows of resources and the amounts to be recognized in OPEB expense in future periods; and the calculation of OPEB expense. In addition to presenting the NOL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

The State is responsible for 98.9933% of the VSPB net OPEB liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.0067% of the VSPB net OPEB liability. The State is responsible for 100% of the RTHMB net OPEB liability as a non-employer contributing entity. The information is presented in this section is for those two plans.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net OPEB liabilities, deferred OPEB outflows of resources, deferred OPEB inflows of resources, and OPEB expense are all presented as of the State's reporting date (June 30, 2020) and for the State's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 75 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the State has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total OPEB liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net OPEB Liabilities (Employer Reporting)

The net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	VSRS - VSPB			STRS - RTHMB		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances - June 30, 2018	$ 1,240,275	$ 21,771	$ 1,218,504	$ 927,843	$ (26,443)	$ 954,286
Changes for the year:						
Service cost	44,590	-	44,590	20,786	-	20,786
Interest	49,040	-	49,040	36,139	-	36,139
Benefit changes	-	-	-	(21,209)	-	(21,209)
Difference between expected and actual experience	6,284	-	6,284	24,665	-	24,665
Changes of assumptions	(25,551)	-	(25,551)	82,448	-	82,448
Contributions - non-employer	-	-	-	-	56,594	(56,594)
Contributions - employer	-	63,750	(63,750)	-	-	-
Net investment income	-	1,553	(1,553)	-	31	(31)
Benefit payments, including refunds of contributions	(35,340)	(35,340)	-	(29,607)	(29,607)	-
Administrative expenses	-	(2)	2	-	(263)	263
Net changes	39,023	29,961	9,062	113,222	26,755	86,467
Balances - June 30, 2019	$ 1,279,298	$ 51,732	$ 1,227,566	$ 1,041,065	$ 312	$ 1,040,753
Fiduciary net position as a percentage of total OPEB liability			4.04%			0.03%

Proportionate Share of Net OPEB Liability

	VSRS - VSPB			
		Proportionate Share		
	Amount	2020	2019	Change
Governmental activities	$ 1,210,429	98.6040%	97.5051%	1.0989%
Business type activities	4,779	0.3893%	0.7241%	-0.3348%
Discrete component unit	12,358	1.0067%	1.7708%	-0.7641%
Total net OPEB liability	$ 1,227,566	100.0000%	100.0000%	

Additional information regarding the changes in the net OPEB liability for the year ended June 30, 2020 can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred OPEB Outflows of Resources and Deferred OPEB Inflows of Resources (Employer Reporting)

Most changes in the net OPEB liability are included in OPEB expense during the year of change. Changes resulting from current-period service cost, interest on the total OPEB liability, and changes in benefit terms are required to be included in OPEB expense immediately. Similarly, projected earnings on the OPEB plan's investments are also required to be included in the determination of OPEB expense immediately.

The effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods, depending on the nature of the change. The effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that OPEBs arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related OPEB measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net OPEB liability at June 30, 2021.

As of June 30, 2020, the State reported the following deferred OPEB outflows of resources and deferred OPEB inflows of resources (amounts are in thousands):

	VSRS - VSPB		VSRS - VSPB	
	Primary Government		Discrete Component Units	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,609	$ -	$ 108	$ -
Changes of assumptions	-	357,524	-	3,636
Net differences between projected and actual earnings on plan investments	1,442	-	14	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	15,680	5,863	889	10,706
Employer contributions made subsequent to the measurement date	37,952	-	648	-
Total	$ 65,683	$ 363,387	$ 1,659	$ 14,342

Source	STRS - RTHMB Primary Government Deferred Outflows of Resources	STRS - RTHMB Primary Government Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,887	$ -
Changes of assumptions	63,048	37,363
Net differences between projected and actual earnings on plan investments	-	2,748
Employer contributions made subsequent to the measurement date	35,176	-
Total	$ 140,111	$ 40,111

Source	Primary Government Total Deferred Outflows of Resources	Primary Government Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 52,496	$ -
Changes of assumptions	63,048	394,887
Net differences between projected and actual earnings on plan investments	1,442	2,748
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	15,680	5,863
Employer contributions made subsequent to the measurement date	73,128	-
Total	$ 205,794	$ 403,498

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - $37.952 million Primary Government and $0.648 million Component Units; and STRS - RTHMB - $35.176 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs, will be recognized in OPEB expense as follows (amounts are in thousands):

(Table on next page.)

	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB
Year Ended June 30	Primary Government	Primary Government	Primary Government	Discrete Component Units
2021	$ 14,844	$ (63,814)	$ (48,970)	$ (2,140)
2022	19,892	(63,814)	(43,922)	(2,140)
2023	23,989	(63,858)	(39,869)	(2,141)
2024	6,099	(64,007)	(57,908)	(2,142)
2025	-	(54,841)	(54,841)	(2,055)
Thereafter	-	(25,322)	(25,322)	(2,713)
Total	$ 64,824	$ (335,656)	$ (270,832)	$ (13,331)

OPEB Expense (Employer Reporting)

As discussed above, most changes in the net OPEB liability are included in OPEB expense in the year of change, including changes resulting from current-period service cost, interest on the total OPEB liability, changes in benefit terms, and projected earnings on the OPEB plan's investments. Other changes in net OPEB liability are recorded as deferred OPEB outflows of resources and deferred OPEB inflows of resources, and included in OPEB expense on a systematic and rational manner over current and future periods. OPEB expense for the year ended June 30, 2020, is as follows (amounts are in thousands):

	Primary Government		Primary Government	Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB
Service cost	$ 20,786	$ 44,141	$ 64,927	$ 449
Interest on total OPEB liability	36,139	48,547	84,686	494
Changes in benefit terms	(21,209)	-	(21,209)	-
Plan administrative costs	263	2	265	-
Projected earnings on plan investments	981	(2,671)	(1,690)	(27)
Recognition (amortization) of deferred OPEB outflows of resources:				
Difference between expected and actual experience	5,804	825	6,629	8
Change in assumptions	19,400	-	19,400	-
Difference between projected and actual investment earnings	-	227	227	2
Recognition of deferred outflows from prior periods	9,798	1,121	10,919	11
Changes in Proportions	-	2,409	2,409	161
Recognition (amortization) of deferred OPEB inflows of resources:				
Change in assumptions	-	(3,355)	(3,355)	(34)
Difference between projected and actual investment earnings	(203)	-	(203)	-
Recognition of deferred inflows from prior periods	(19,955)	(64,108)	(84,063)	(652)
Changes in Proportions	-	(933)	(933)	(1,637)
Total OPEB Expense	$ 51,804	$ 26,205	$ 78,009	$ (1,225)

Actuarial Methods and Assumptions (Employer Reporting)

Actuarial Assumptions (Employer Reporting)

Total OPEB liability at the June 30, 2019 measurement date was determined using the June 30, 2018 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

	VSRS - VSPB	STRS - RTHMB
Inflation	2.75%	2.75%
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation	7.50%, net of OPEB plan investment expense, including inflation
Discount rate	3.50%	3.50%
Salary increase rate	Varies by age from age 20 - 7.04%, to age 60 - 3.50%.	Varies by age from age 20 - 9.09%, to age 60 - 3.75%.
Health care cost trend rate		
Non-Medicare	7.15% graded to 4.50% over 12 years	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 13 years	7.15% graded to 4.50% over 12 years
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2018		
Retired members or beneficiaries currently receiving benefits	5,040	6,713
Retired members or beneficiaries not receiving benefits	-	2,416
Vested terminated members entitled to but not yet receiving benefits	-	1,949
Active members	8,798	9,892
Total	13,838	20,970

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2010 – June 30, 2014, dated October 29, 2015 completed by Buck Consultants

Vermont State Teachers' Retirement System
Experience Study: July 1, 2010 – June 30, 2014, dated March 2, 2016 completed by Buck Consultants

Mortality rates are based on the following:

Vermont State Retirement System
- *Pre-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017. Group C were based on RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017. Group D were based on RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017. Group C were based on RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017. Group D were based on RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* A, C, D, and F were based on RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality*: 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* RP-2006 Disabled Mortality Table with generational projections using Scale SSA-2017.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Total	100.00%	

Discount Rate (Employer Reporting)

The projection of cash flows used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plans' fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.50% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.50% is based on the 20-year Bond Buyer GO index at June 30, 2019 measurement date. The discount rate used in the prior year was 3.87%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

(Table on next page.)

		VSRS - VSPB		STRS - RTHMB
One-percent decrease				
Discount rate		2.50%		2.50%
Net OPEB liability	$	1,433,890	$	1,217,020
Net OPEB liability, as reported				
Discount rate		3.50%		3.50%
Net OPEB liability	$	1,227,566	$	1,040,753
One-percent increase				
Discount rate		4.50%		4.50%
Net OPEB liability	$	1,061,071	$	897,088

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	6.15% decreasing to 3.5%	6.15% decreasing to 3.5%
Medicare	6.30% decreasing to 3.5%	6.15% decreasing to 3.5%
Net OPEB liability	$ 1,046,521	$ 877,522
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.15% decreasing to 4.5%	7.15% decreasing to 4.5%
Medicare	7.30% decreasing to 4.5%	7.15% decreasing to 4.5%
Net OPEB liability	$ 1,227,566	$ 1,040,753
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.15% decreasing to 5.5%	8.15% decreasing to 5.5%
Medicare	8.30% decreasing to 5.5%	8.15% decreasing to 5.5%
Net OPEB liability	$ 1,459,488	$ 1,251,944

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2020, the State reported a payable of $68,307 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2020.

3. Net OPEB Liability and Disclosures required by GASB Statement No. 74 (Plan Reporting)

This section includes information that is required to be presented by GASB Statement No. 74. The plans elected to base the valuations on plan data as of June 30, 2019 and used update procedures to roll forward the total OPEB liability to the OPEB plans' fiscal year end. In addition to presenting the NOL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

GASB Statement No, 74 requires that OPEB plans disclose the NOL and other related disclosures.

Net OPEB Liabilities (Plan Reporting)

The components of the net OPEB liabilities at June 30, 2020, were as follows (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
Total OPEB liability	$ 1,482,970	$ 1,268,119
Fiduciary net position (deficit)	57,592	8,719
Net OPEB liability	$ 1,425,378	$ 1,259,400
Fiduciary net position as a percentage of total OPEB liability	3.88%	0.69%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2020 can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2020 was determined using the June 30, 2019 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
Inflation	2.00%	2.00%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Discount rate	2.23%	2.21%
Salary increase rate	Varies by age from age 20 - 5.55%, to age 60 - 3.40%.	Varies by age from age 20 - 10.50%, to age 60 - 3.55%.
Health care cost trend rate		
Non-Medicare	6.925% graded to 4.50% over 11 years	6.925% graded to 4.50% over 11 years
Medicare	6.14% graded to 4.50% over 13 years	6.14% graded to 4.50% over 12 years
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2019		
Retired members or beneficiaries currently receiving benefits	5,236	6,878
Retired members or beneficiaries not receiving benefits	-	2,486
Vested terminated members entitled to but not yet receiving benefits	-	1,990
Active members	8,725	9,862
Total	13,961	21,216

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Vermont State Teachers' Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Mortality rates are based on the following:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A & F: 60% of PubG-2010 General Employee Headcount-Weighted Above Median, 40% of PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Headcount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: Groups A & F: 109% of PubG-2010 General Healthy Retiree Headcount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Headcount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP-2019.

• *Post-retirement Beneficiaries Mortality*: Groups A & F: Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Headcount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP-2019.

• *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups were based on the PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019.

• *Post-retirement Retiree Mortality*: All Groups based on the Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019.

• *Post-retirement Beneficiaries Mortality*: All Groups based on 109% of the Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2019

• *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.25%
International equity	15.00%	9.00%
Emerging international equity	5.00%	11.25%
Core bonds	60.00%	2.50%
	100.00%	

Discount Rate (Plan Reporting)

The projection of cash flow used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, RTHMB's OPEB plan fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 2.21% on plan investments was applied to all periods of projected benefit payments to determine the RTHMB's total OPEB liability. Since, VSPB's OPEB fiduciary net position is partially sufficient to cover projected benefit payments, a blended discount rate of 2.23% was used to measure the total OPEB liability. VSPB's discount rate is a blend of the long-term expected rate of return on VSPB's OPEB plan investments and the long-term bond rate expected rate of return of 2.21%.

The 2.21% is based on the 20-year Bond Buyer GO index at June 30, 2020. The discount rate used in the prior year was 3.50% for both plans. For the year ended June 30, 2020, the VSPB annual money-weighted rate return of investments, net of investment expense, was 6.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentge-point higher than the current rate (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Discount rate	1.23%	1.21%
Net OPEB liability	$ 1,686,127	$ 1,491,537
Net OPEB liability, as reported		
Discount rate	2.23%	2.21%
Net OPEB liability	$ 1,425,378	$ 1,259,400
One-percent increase		
Discount rate	3.23%	3.21%
Net OPEB liability	$ 1,218,200	$ 1,074,304

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

(Table on next page.)

	VSRS - VSPB		STRS - RTHMB	
One-percent decrease				
Healthcare cost trend rate				
Non-medicare	5.925% decreasing to 3.5%		5.925% decreasing to 3.5%	
Medicare	5.14% decreasing to 3.5%		5.14% decreasing to 3.5%	
Net OPEB liability	$	1,197,073	$	1,044,651
Net OPEB liability, as reported				
Healthcare cost trend rate				
Non-medicare	6.925% decreasing to 4.5%		6.925% decreasing to 4.5%	
Medicare	6.14% decreasing to 4.5%		6.14% decreasing to 4.5%	
Net OPEB liability	$	1,425,378	$	1,259,400
One-percent increase				
Healthcare cost trend rate				
Non-medicare	7.925% decreasing to 5.5%		7.925% decreasing to 5.5%	
Medicare	7.14% decreasing to 5.5%		7.14% decreasing to 5.5%	
Net OPEB liability	$	1,724,222	$	1,543,109

Dental Insurance

Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance

In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, a $10,000 benefit will continue into retirement. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the $10,000 level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Vermont Municipal Employees Health Benefit Fund

The Vermont Municipal Employees Retirement System (MERS), a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a postemployment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

The MERS Retirement Health Savings Plan (RHS) established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The MERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a postemployment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit pension plan members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third-party record keeper.

At June 30, 2020, there were 4,032 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2020 was $13,917,009.

The financial statements for the OPEB Funds are on the following two pages:

Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2020

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Assets			
Cash and short term investments	$ 5,933,378	$ 3,126,221	$ 641,938
Receivables			
Contributions	68,838	-	-
Other receivables	17,502	5,599,018	-
Investments			
Mutual funds	51,618,999	-	13,281,119
Prepaid expenses	-	67,899	-
Total assets	57,638,717	8,793,138	13,923,057
Liabilities			
Accounts payable	46,009	74,162	6,048
Due to other funds	-	277	-
Total liabilities	46,009	74,439	6,048
Net position restricted for employee's other postemployment benefits	$ 57,592,708	$ 8,718,699	$ 13,917,009

Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2020

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Additions			
Contributions			
Employer - healthcare benefit	$ 38,599,577	$ -	$ -
Non-employer - healthcare benefit	-	35,176,080	-
Total contributions	38,599,577	35,176,080	-
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,769,933	-	463,913
Dividends	1,229,831	-	273,799
Interest income	35,865	282,650	9,239
Other income	-	501,276	-
Total investment income	3,035,629	783,926	746,951
Less Investment Expenses			
Investment managers and consultants	5,720	-	16,038
Net investment income	3,029,909	783,926	730,913
Total additions	41,629,486	35,960,006	730,913
Deductions			
Other postemployment benefits	35,767,740	27,551,293	571,821
Operating expenses	1,785	2,104	-
Total deductions	35,769,525	27,553,397	571,821
Change in net position	5,859,961	8,406,609	159,092
Net position restricted for employees postemployment benefits			
July 1, 2019	51,732,747	312,090	13,757,917
June 30, 2020	$ 57,592,708	$ 8,718,699	$ 13,917,009

5. Other Long-term Liabilities

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs, including all major governmental fund types except for the Education Fund. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. During the year ended June 30, 2020, the following changes occurred in the governmental activities long-term liabilities:

	Total Liability July 1, 2019	Additions	Reductions	Total Liability June 30, 2020	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds	$ 609,165,000	$ 127,780,000	$ 100,510,000	$ 636,435,000	$ 55,825,000
Bond premium	29,470,883	16,913,891	7,673,712	38,711,062	7,662,253
Bond discount	(104,836)	-	(104,836)	-	-
Total bonds payable	638,531,047	144,693,891	108,078,876	675,146,062	63,487,253
Capital leases payable	9,418,025	-	260,695	9,157,330	295,381
Compensated absences	35,994,575	45,699,642	40,013,603	41,680,614	39,442,365
Claims and judgments	60,972,430	185,167,507	188,083,413	58,056,524	22,323,048
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension liabilities	2,258,521,410	601,347,004	477,534,301	2,382,334,113	-
Net other postemployment liabilities	2,142,389,979	276,213,378	167,421,333	2,251,182,024	18,832,594
Pollution remediation obligations	10,148,534	839,688	1,833,552	9,154,670	2,110,906
Total governmental activities long-term liabilities	$ 5,162,976,000	$ 1,253,961,110	$ 983,225,773	$ 5,433,711,337	$ 146,491,547

During the year ended June 30, 2020, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	Total Liability July 1, 2019	Additions	Reductions	Total Liability June 30, 2020	Amounts due within one year
Business-type activities					
Compensated absences	$ 292,348	$ 302,918	$ 263,812	$ 331,454	$ 282,122
Lottery prize awards payable	7,075,536	91,645,984	90,913,923	7,807,597	7,331,257
Net pension liabilities	5,579,433	1,868,766	2,003,949	5,444,250	-
Net other postemployment liabilities	8,823,342	389,011	4,432,993	4,779,360	-
Other liabilities	2,717,342	1,772,097	-	4,489,439	-
Total business-type activities long term liabilities	$ 24,488,001	$ 95,978,776	$ 97,614,677	$ 22,852,100	$ 7,613,379
Fiduciary					
Compensated absences	$ 10,524	$ 20,393	$ 14,539	$ 16,378	$ 16,198

The compensated absences for the Business-type activities are included as part of accrued salaries and benefits on the propriety funds' Statement of Net Position. The compensated absences for the fiduciary funds are included as part of accrued liabilities on the fiduciary funds Statement of Net Position.

The Pollution Remediation Obligation (PRO) liabilities were measured using the actual contract cost when no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. Overall, the state has recorded a pollution remediation liability of $9,154,670 of which $2,110,906 is due within one year.

Pollution remediation liability activity in fiscal year 2020 was as follows:

Superfund Sites

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are eight sites where the state has referred the matter to federal Superfund jurisdiction, and has executed a contract, or legal obligation, to share in the cost for cleanup and long-term operations and maintenance. These obligations are reflected in a State Superfund Contract.

There are two superfund sites where no liability has been reported because obligations are not yet reasonably estimable. The sites include an abandoned copper mine requiring cleanup of acid mine drainage and hazardous waste groundwater cleanup from a former manufacturing facility of capacitors, transformers, and motors used in household appliances.

The remaining six Superfund sites in Vermont are in various stages of cleanup, from initial assessment to cleanup activities and required monitoring of the remediation effort. There are no viable Potentially Responsible Parties (PRP) or insurance available to reduce the remediation costs for the superfund sites listed below. The PRO as of June 30, 2020 is $4,037,424, and the estimated amount to be paid for remediation activities in 2021 is $1,168,906.

Department of Environmental Conservation

The Vermont Agency of Natural Resources through the Department of Environmental Conservation (DEC) administers the Environmental Contingency Fund, authorized under 10 V.S.A. §1283, to pay for the investigation and cleanup of contaminated sites where there is no PRP or the PRP is recalcitrant, and the state considers it necessary to investigate and/or mitigate the effects of hazardous material releases to the environment. In the latter case, the state has the right to recover costs from the PRP, but in the former case, there is often no viable PRP to pursue and, if the pollution is significant, the state is left with little or no discretion to avoid addressing the issue.

The DEC has undertaken a proactive role in investigating the most likely sources of per- and polyfluoroalkyl substances (PFAS) contamination found in public drinking water and in directing public water systems to implement treatment or other remedy to reduce the levels of regulated PFAS contaminants in the water. This effort has been expanded with the passage of Act S.49 during the 2019 legislative session. The State is pursuing recoveries and/or cost sharing by participants named in the lawsuits as a PRP in the public water sites impacted by PFAS. The estimated amount due in 2021 which is primarily for the cost of sampling, vapor intrusion mitigation, and monitoring is $500,000. The PRO as of June 30, 2020 is $912,684.

The State is also responsible for the monitoring and treatment performance evaluations for the cleanup of ground water contamination resulting from a chemical spill at a former dry cleaner facility. The total PRO reported on June 30, 2020 is $669,528 for source removal of contamination, if dictated by annual monitoring. The amount due in 2021 for operation and maintenance is $10,000.

Lastly, the largest potential obligations for cleanup under the DEC's supervisions includes a former mining facility with large eroding mining tailings and waste rock piles that are discharging asbestos into downstream waters. Currently, one of the PRP performs the annual operation and maintenance of the erosion control features. The erosion control measures at the site will ultimately need to be replaced. The PRO for the mining site is $2,000,000 for the estimated cost of reconstruction measures not yet scheduled but likely to occur within the next five years.

Other State Agencies and Departments

Agencies and departments are working with regulators, including the USEPA, to ensure remediation of contaminate sites which are often detected during construction projects including renovation of historic buildings, excavation, and infrastructure improvements. The PRO is generally related to indoor air issues like asbestos or other chemical and toxics contaminating community soil and groundwater.

The liabilities are being reported because the agency or department was named as a PRP, or legally obligates itself to commence pollution remediation required for permitting or other regulatory restrictions. There are no viable PRP or insurance available to reduce the remediation costs for these sites.

In fiscal year 2019, the Vermont Agency of Transportation detected contaminated soil at the construction site of the replacement drawbridge between Grand Isle and North Hero. The Agency suspected the presence of lead around the bridge from previous paint systems, and testing yielded positive results for some lead as well as polychlorinated biphenyls (PCBs). Subsequent testing revealed a larger more complex contamination profile including hexavalent chromium and lead in soil and sediment underlying the bridge site and into Lake Champlain. The remediation and site monitoring will likely remain ongoing well beyond the current construction investigation and remediation phases. The PRO as of June 30, 2020 is $1,000,000.

The other four sites represent a wide array of remediation activities ranging from one-time events of removing contaminated soils related to renovations to longer-term activities like extending the area of investigation of water supply sampling and testing of community drinking water. The PRO as of June 30, 2020 is $535,034 with an estimated $432,000 to be expended in the current fiscal year.

H. Fund Balance/Net Position

Governmental Funds

The composition of the summarized fund balances reported on the governmental funds' Balance Sheet for the fiscal year ended June 30, 2020, are as follows:

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
Government Operations			
Administrative Services	$ -	$ -	$ 851,981
Public Safety and Regulatory Services	-	-	1,861,870
Courts	-	-	3,245,162
Health and Human Services	-	-	2,752,872
Correctional Services	-	-	1,320
Educational Services	-	-	68,883
Natural Resources Protection and Preservation	-	-	1,131,860
Economic and Community Development	-	-	1,722,152
Tourism and Marketing	-	-	767,339
Total General Fund	$ -	$ -	$ 12,403,439
Transportation Fund			
Transportation	$ -	$ 5,560,700	$ -
Total Transportation Fund	$ -	$ 5,560,700	$ -

	Restricted Purposes	Committed Purposes	Assigned Purposes
Education Fund			
Educational Services	$ -	$ 96,164,362	$ -
Total Education Fund	$ -	$ 96,164,362	$ -
Special Fund			
Government Operations			
Governor and Other Elected Officials	$ -	$ 574,647	$ 48,476
Legislature	-	44,158	2,366
Administrative Services	692,212	22,117,294	2,483,599
Public Safety and Regulatory Services	1,688,114	27,828,923	72,674
Courts	-	3,561,688	-
Health and Human Services	1,974,739	25,269,034	6,204
Correctional Services	4	984,178	-
Employment and Training	-	14,500,996	-
Educational Services	-	1,736,291	-
Natural Resources Protection and Preservation	8,764,076	44,068,803	94
Economic and Community Development	5,474,484	4,374,155	-
Tourism and Marketing	-	336,930	-
Total Special Fund	$ 18,593,629	$ 145,397,097	$ 2,613,413
Federal Revenue Fund			
Government Operations			
Administrative Services	$ 407,855	$ -	$ -
Public Safety and Regulatory Services	10,465,267	-	-
Health and Human Services	31,403,325	-	-
Employment and Training	8,675,494	-	-
Educational Services	1,866,058	-	-
Natural Resources Protection and Preservation	419,524,992	-	-
Economic and Community Development	361,464	-	-
Total Federal Revenue Funds	$ 472,704,455	$ -	$ -
Global Commitment Fund			
Health and Human Services	$ 29,058,760	$ -	$ -
Total Global Commitment Fund	$ 29,058,760	$ -	$ -
Non-major Governmental Funds			
Government Operations			
Administrative Services	$ 18,815	$ -	$ -
Health and Human Services	19,629	-	-
Educational Services	-	25,031,007	-
Natural Resources Protection and Preservation	66,320	15,576,043	-
Economic and Community Development	5,190	-	-
Capital Outlays	9,088,872	-	-
Debt Service	3,211,004	219,946	-
Total Non-major Governmental Funds	$ 12,409,830	$ 40,826,996	$ -

Note V. OTHER INFORMATION

A. Risk Management

1. Workers' Compensation and Risk Management

The Agency of Administration's Financial Services Division oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

State Employees' Workers' Compensation Fund
State Liability Self Insurance Fund
Risk Management – All Other Fund (used for the purchase of commercial insurance policies)

The State Employees' Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any excess workers' compensation insurance to limit this exposure. All claims are processed by a third-party administrator. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of Workers' Compensation claims and fund to review and recommend reasonable reserve and funding levels. Reserve fund allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The State Liability Insurance Fund covers general and employment practices liability, discrimination, bodily injury and automobile liability risk. The coverage is comparable to standard private commercial policies. This liability coverage is offered to state agencies and certain quasi-governmental agencies. The State's exposure to tort risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. The current sovereign immunity limits are $500,000 per person and $2,000,000 per occurrence. Exposure outside of Vermont and to federal suit and other non-tort suit is potentially unlimited. The State holds a self-insured retention (SIR) for the first $500,000 of exposure and purchases excess commercial liability insurance up to $1,500,000 ($2,000,000 total) per occurrence in Vermont and $10,000,000 per occurrence in excess of the $500,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by the third-party administrator and/or the Vermont Attorney General's Office. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of liability claims and fund to review and recommend reasonable reserve and funding levels. Reserve fund allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered by the above funds. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, workers' compensation coverage for non-state employees on contract with the Agency of Human Services, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies and potentially for any claims in excess of the purchased limits. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are state agencies and certain quasi-governmental agencies.

Insurance settlements have never exceeded the above commercial insurance limits.

2. Health Care Insurance, Dental Assistance Plan, and Life Insurance Funds for State Employee Benefit Plans

The Employee Benefits Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, and life insurance funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside “special” groups (Special Groups) which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate development is performed by an outside actuary in conjunction with the Operations Division of the Department of Human Resources. The State’s liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State’s prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division of the Treasurer’s Office.

The plan options are: TotalChoice which is a “preferred provider organization” indemnity-type plan; and the SelectCare plan which is a “point of service” plan similar to an open-ended Health Maintenance Organization (members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so). Benefits are administered under a managed care arrangement. Both health plan options are self-insured by the State. The State uses a third-party administrator to provide administrative services, including claims payment. To limit the State’s large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to $1,000 regular dental benefits annually and up to $1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss, so no stop-loss insurance has been purchased. The Operations Division within the Department of Human Resources develops the premium rates, in consultation with the dental plan administrator’s actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest $100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of $10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Operations Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees’ premiums and 100% of retirees’ premium costs. Only current State employees, retired State employees, and current active employees of the Special Groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

Three years’ changes in the respective funds’ claims liability amounts are displayed in the following table:

(Table on next page.)

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Liability at End of the Fiscal Year
Workers' Compensation Fund				
2018	$ 23,525,052	$ 14,332,986	$ 9,110,153	$ 28,747,885
2019	28,747,885	11,405,255	11,530,934	28,622,206
2020	28,622,206	11,910,597	11,597,138	28,935,665
State Liability Insurance Fund				
2018	8,335,231	2,556,475	2,122,367	8,769,339
2019	8,769,339	2,803,305	2,048,600	9,524,044
2020	9,524,044	260,545	1,982,910	7,801,679
Medical Insurance Fund				
2018	15,885,213	173,608,576	176,217,265	13,276,524
2019	13,276,524	177,987,236	168,802,967	22,460,793
2020	22,460,793	167,704,318	169,060,329	21,104,782
Dental Insurance Fund				
2018	313,600	6,321,672	6,349,334	285,938
2019	285,938	6,403,546	6,324,097	365,387
2020	365,387	5,292,047	5,443,036	214,398

B. Budget Stabilization Reserves

The Legislature created Budget Stabilization Reserves within the General Fund per 32 V.S.A 308, the Transportation Fund per 32 V.S.A 308a, and the Education Fund Budget per 16 V.S.A 4026. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances consist of any budgetary basis surplus at the close of the fiscal year, provided the balance in each fund’s Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. For fiscal year 2020, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2020 are as follows: $79,823,411 in the General Fund's Budget Stabilization Reserve; $14,085,548 in the Transportation Fund's Budget Stabilization Reserve; and $32,978,533 in the Education Fund’s Budget Stabilization Reserve.

In addition to the Budget Stabilization Reserve, the General Fund Balance Reserve, also known as the “Rainy Day Reserve” was established per 32 V.S.A 308c. After satisfying the requirements of 32 V.S.A 308, and after other reserve requirements have been met, fifty percent of any remaining the end of fiscal year General Fund surplus determined on budgetary basis shall be reserved in the General Fund Balance Reserve. The General Fund Balance Reserve shall not exceed five percent of the appropriations from the General Fund for the prior fiscal year without legislative authorization. Use of General Fund Balance Reserve is limited to the use of up to fifty percent of the amounts added in the prior fiscal year from the General Fund Balance Reserve to fund unforeseen or emergency needs, and to compensate for a reduction of revenues if the official State revenue estimates are reduced by two percent or more form the original estimate used to determined general appropriations act or budget adjustment act. For fiscal year 2020, the balance in the General Fund Balance Reserve was $31,553,273.

C. Limited Liabilities

1. Contingent Liabilities

Federal Grants:
The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

2. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:
The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:
The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

Vermont Student Assistance Corporation:
The State has a limited liability for the VSAC. VSAC may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 2867. Annually, VSAC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

University of Vermont:
The State has a limited liability for the UVM. UVM may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 2363. Annually, UVM must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont State Colleges:
The State has a limited liability for the VSC. VSC may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 286. Annually, VSC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

3. Contractual Liabilities

As of June 30, 2020, the State of Vermont had long-term contracts outstanding of approximately $527,096,762 funded from federal sources, and $637,229,042 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services. Following is a summary of contractual obligations by agency, department or office on June 30, 2020.

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 67% have end dates of June 30, 2021 or earlier. Of the Agency of Human Services contractual obligations, 41% is in the Department of Vermont Health Access, 35% in the Department of Children and Families, and 4% in the Department of Corrections. Of the contracts in the Agency of Administration, 62% have end dates that expire by the end of fiscal year 2021 and are primarily for human resource benefit administration services (82%), and capital construction (6%). Of the contracts for the Agency of Digital Services, 73% for data software / consulting and 17% for telecommunications / fiber optic networks. The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans of which 52% having end dates that expire by the end of fiscal year 2021.

Following is a summary of contractual obligations by agency, department or office at June 30, 2020:

(Table on next page.)

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 130,910,920	$ 355,051	$ 130,555,869
Agency of Agriculture, Food & Markets	2,796,614	7,600	2,789,014
Agency of Commerce & Community Development	1,855,079	650,013	1,205,066
Agency of Digital Services	51,924,109	-	51,924,109
Agency of Education	14,112,243	12,040,063	2,072,180
Agency of Human Services	327,867,333	231,710,973	96,156,360
Agency of Natural Resources	17,480,411	4,073,015	13,407,396
Agency of Transportation	384,611,440	236,661,942	147,949,498
Auditor of Accounts' Office	1,364,705	-	1,364,705
Center Crime Victim Services	320,364	296,507	23,857
Criminal Justice Training Council	273,027	-	273,027
Department of Labor	18,826,641	18,826,641	-
Department of Liquor & Lottery	19,782,418	-	19,782,418
Department of Public Safety	7,113,990	1,600,619	5,513,371
Enhanced 911 Board	10,483,532	-	10,483,532
Financial Regulation	6,563,152	-	6,563,152
Green Mountain Care Board	7,529,789	-	7,529,789
Joint Fiscal Office	788,749	28,763	759,986
Judiciary	827,014	-	827,014
Military Department	25,669,438	19,768,305	5,901,133
Office of the Attorney General	4,214,973	43,189	4,171,784
Office of the Defender General	2,268,685	-	2,268,685
Public Service Department	6,451,121	52,102	6,399,019
Public Utility Commission	369,872	-	369,872
Secretary of State's Office	12,447,209	981,979	11,465,230
State Treasurer's Office	107,401,431	-	107,401,431
State's Attorneys and Sheriffs	71,545	-	71,545
Total	$ 1,164,325,804	$ 527,096,762	$ 637,229,042

4. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals, and families statewide. The grant table below summarizes the grant activity by agency, department, or office. The award balance represents the total grant obligation outstanding. The awards to grantees in the current fiscal year totaled $673,044,274. The award adjustments column includes an increase of $10,988,634 for amendments to grants that commenced in prior fiscal years and a reduction of $13,839,750 to the current year awards balance under Human Services for the contribution received from the University of Vermont Medical Center for the Graduate Medical Education program. The grants expended amount of $652,025,813 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2020 represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2020	Total Grant Obligation				
		Award Balances at June 30, 2019	Current Year Awards	Award Adjustments	Grants Expended	Award Balances at June 30, 2020
Agency of Administration	288	$ -	$ 127,247,562	$ -	$ 127,247,562	$ -
Agency of Agriculture, Food & Markets	425	8,067,355	15,630,051	621,843	12,420,805	11,898,444
Agency of Commerce & Community Development	352	19,150,327	16,756,213	(1,719,341)	16,649,930	17,537,269
Agency of Education	1,413	19,132,797	144,882,759	-	146,874,453	17,141,103
Agency of Human Services	731	78,348,272	203,851,097	(40,882,464)	173,268,207	68,048,698
Agency of Natural Resources	257	35,263,535	63,587,021	19,741	36,107,321	62,762,976
Agency of Transportation	417	155,345,039	79,131,455	39,332,611	114,117,424	159,691,681
Center Crime Victim Services	147	1,112,599	6,795,350	-	6,927,018	980,931
Department of Labor	43	4,487,800	1,698,500	(149,537)	3,432,157	2,604,606
Department of Liquor & Lottery	1	-	2,500	-	2,500	-
Department of Public Safety	182	15,918,508	9,155,325	(109,198)	11,307,473	13,657,162
Enhanced 911 Board	39	226,476	291,826	-	271,424	246,878
Judiciary	1	-	45,000	-	45,000	-
Military Department	11	-	63,206	-	63,206	-
Office of the Attorney General	-	29,906	25,000	(4,432)	22,841	27,633
Public Service Department	17	2,802,077	1,414,611	25,000	815,552	3,426,136
Public Utilities Commission	1	-	350,000	-	350,000	
State Treasurer's Office	16	72,808	246,752	14,661	232,894	101,327
State's Attorneys and Sheriffs	54	-	1,870,046	-	1,870,046	-
Total	4,395	$ 339,957,499	$ 673,044,274	$ (2,851,116)	$ 652,025,813	$ 358,124,844

The Agency of Administration includes the Department of Libraries which awarded 202 grants in the amount of $175,381 to public libraries throughout the state. The agency also awarded over $123 million to help fund higher education in Vermont, and $3.1 million to promote cultural development. The Agency of Education awarded 1,413 grants totaling $144.9 million or 32% of the total number of grants issued by the state. The Agency of Human Services issued 731 awards and expended $173 million to improve the conditions and wellbeing of Vermonters. The Agency of Human Services also awarded $30 million to the University of Vermont Medical Center, Inc. for the Graduate Medical Education program (GME). The GME program helps ensure access to quality essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals. The University of Vermont contributed $13.8 million to the State to support the GME programs; this support is listed as other revenue in the Global Commitment Fund. The Agency of Transportation awarded 417 grants, totaling $79.1 million, providing funding to communities around the state that focus on safety, preservation and maintenance of existing transportation system, economic development, and energy efficient transportation choices.

D. Litigation

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

E. Joint Venture

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. A proportional share of revenue and expenses is allocated to each state based on the ticket sales made by that state. The exceptions to the proportional allocation include: (1) the facilities management fee and agent commissions, which are based on a contracted percentage of operating revenue that varies from state to state; and (2) per diem charges, advertising, and certain printing, travel and miscellaneous costs, which are allocated based on actual charges generated by each state. Comparative financial information for fiscal years ending June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019	Increase (Decrease)
Comparative Financial Information			
Assets	$ 35,459,648	$ 36,096,482	$ (636,834)
Liabilities	28,437,991	29,749,054	(1,311,063)
Operating revenues	72,639,922	69,881,196	2,758,726
Interest income	252,577	242,063	10,514
Commissions, fees and bonus expense	5,710,903	5,519,151	191,752
Prize awards	41,504,750	38,531,502	2,973,248
Other operating expenses	3,055,496	4,261,548	(1,206,052)
Total transfers to member states	22,621,350	21,811,058	810,292
Transfer to Vermont	3,537,403	3,271,552	265,851

Tri-State Lotto Commission issues separately audited financial statements. Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

F. Tax Abatements

The State of Vermont provides tax abatements through various programs subject to the requirements of GASB Statement No. 77. A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity through which the government promises to forgo tax revenues to which they are otherwise entitled, and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefit the government or its citizens. As of June 30, 2020, the State provided tax abatements through the following programs:

(Table on next page.)

Vermont Affordable Housing Tax Credit

Purpose of program	The program encourages construction or rehabilitation of affordable housing projects in the State.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930u
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any municipality, private sector developer, State agency as defined in 10 V.S.A. 6301a, the Vermont Housing Finance Agency, or a nonprofit organization qualifying under 26 U.S.C. 501(c)(3), or a cooperative housing organization, the purpose of which is to create and retain affordable housing for Vermonters with lower income and which has in its bylaws a requirement that the housing the organization creates be maintained as affordable housing for Vermonters with lower income on a perpetual basis. The taxpayer applies to and must be approved by the allocating agency to receive the credit. In return, the taxpayer agrees to construct or rehabilitate affordable housing projects as specified in the application submitted. Vermont's designated allocating agency for this tax credit is the Vermont Housing Finance Agency. The participant is required to ensure that eligible housing is maintained as affordable housing by subsidy covenant, as defined in 27 V.S.A. 610 on a perpetual basis.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for fourteen years.
How is the amount of the tax abatement determined	The amount of the credit is determined by the allocating agency based on the amount of eligible investment in the affordable housing project.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$3,823,445

Agricultural and Managed Forest Land Use Program

Purpose of program	The program goal is to preserve the working landscape and the rural character of Vermont.
Tax being abated	Education Property Tax
Authority to abate taxes	32 V.S.A 3756
Criteria to be eligible to receive abatements and commitment of the taxpayer	A property must be at least 25 contiguous acres in size to be eligible for enrollment in the program, with limited exceptions for actively farmed land, and conservation land owned by a qualified organization as defined in 10 V.S.A 6301a. The property owner applies to and must be approved by the Department of Taxes to receive the tax abatement. In return, the owners of agricultural land and/or farm buildings are required to certify annually that their agricultural land and farm buildings meet the requirements to be eligible for the program; and for forested and conservation land (non-agricultural) the property must be managed according to the approved forest or conservation management plan and according to state standards and be inspected at least once every 10 years.
How taxes are reduced	Reduction of assessed value
How is the amount of the tax abatement determined	Land is valued at fixed price per acre as determined by the Current Use Advisory Board
Provisions for recapturing abated taxes	Once enrolled in the program land is subject to a lien, if this land is ever developed or removed from the program, the owner at the time of development must pay a land use change tax of 10% tax on the full fair market value of the changed land determined without regard to the use value appraisal.
Type of commitments other than taxes	As part of the Land Use Program, is a municipal hold harmless payment that reimburses municipalities for property tax revenue not collected due to the reduction in assessed value from property enrolled in the Land Use Program. Fiscal year 2020 payments are $16,507,284.
Dollar amount of taxes abated during reporting period	$47,594,167

Vermont Downtown and Village Center Tax Credit Program

Purpose of program	The program encourages the improvement and rehabilitation of historic properties in designated downtowns and village centers. It includes three tax credits: The Historic Rehabilitation Tax Credit, the Façade Improvement Tax Credit, and the Code or Technology Improvement Tax Credit.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930cc
Criteria to be eligible to receive abatements and commitment of the taxpayer	Commercial buildings and non-profit owned buildings constructed before 1983 located within designated downtown or village centers are eligible for the credit. The taxpayer applies to and must be approved by the Vermont Downtown Development Board to receive the credit. In return, the taxpayer agrees to improve or rehabilitate their historic property in designated downtowns and village centers as specified in the application submitted.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for nine years.
How is the amount of the tax abatement determined	Historic Rehabilitation Tax Credit is 10% of qualified expenditures up to a maximum tax credit of $75,000. Façade Improvement Tax Credit is 25% of qualified expenditures up to a maximum tax credit of $25,000. Code or Technology Improvement Tax Credit is 50% of qualified expenditures up to a maximum tax credit of $50,000 for sprinklers, $50,000 for elevators, $12,000 for platform lifts, $50,000 for other qualified code improvements, and $30,000 for technology improvements.
Provisions for recapturing abated taxes	If, within five years after completion of the qualified project the applicant shall be liable for a recapture penalty in an amount equal to the total tax credit claimed if the Vermont Downtown Development Board finds that any work performed on the qualified project is inconsistent with the approved application; or the applicant knowingly failed to supply any information, or supplied incorrect or untrue information or failed to comply with any award condition; or in the case of the Historic Rehabilitation Tax Credit, the National Park Service revokes certification for unapproved alterations or for work not done as described in the historic preservation certification application.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$2,598,903

Vermont Employment Growth Incentive (VEGI)

Purpose of program	The program is designed to encourage business recruitment, growth and expansion.
Tax being abated	Personal income taxes
Authority to abate taxes	32 V.S.A. 3330
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any size business can apply, to be eligible to receive abatements. The Vermont Economic Progress Council (VEPC) must find for the project that the total estimated incremental tax revenues from all sources generated to the State by the proposed economic activity exceeds the revenue costs of the activity to the State, including the cost of the incentive. The host municipality must welcome the new business. The proposed economic activity must conform to applicable town and regional plans. If the business proposes to expand within a limited local market, an incentive must not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market. Applicants must assert in writing and VEPC must agree that, but for the incentive, the proposed economic activity: would not occur; or would occur in a significantly different manner that is significantly less desirable to the State. The taxpayer applies to and must be approved by the VEPC to receive the tax abatement. In return, the taxpayer agrees to meet their performance requirements for new qualifying employment, new qualifying payroll, and new qualifying capital investments as specified in the application submitted.
How taxes are reduced	Refund of taxes paid
How is the amount of the tax abatement determined	The total amount of abatement is determined by a cost-benefit model analysis that calculates the estimated revenue benefits and costs to the State, based on the qualifying jobs, payroll, and capital investments projected by the applicant.
Provisions for recapturing abated taxes	For three years from the last day of the utilization period if the business experiences a 90% or greater reduction in base employment, or if the business fails to file required claim forms. In addition, if the business fails to meet its capital investment performance requirements by the end of the award period the abatements paid may be recaptured.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$1,892,074

G. Accounting Changes

Accounting changes related to prior period adjustments

A prior period restatement of net position was made for a correction of an error in one of the University of Vermont's (UVM) discretely presented components units. The University Medical Education Associates, Inc. (UMEA) discovered an error in the allocation of investment income earned in June 2019. As a result of the correction, the investment income recognized by UMEA as donor restricted in 2019 and donor restricted net assets as of June 30, 2019 have been decreased and allocations of investment income to funds held for others increased. The effect of the restatement is shown below.

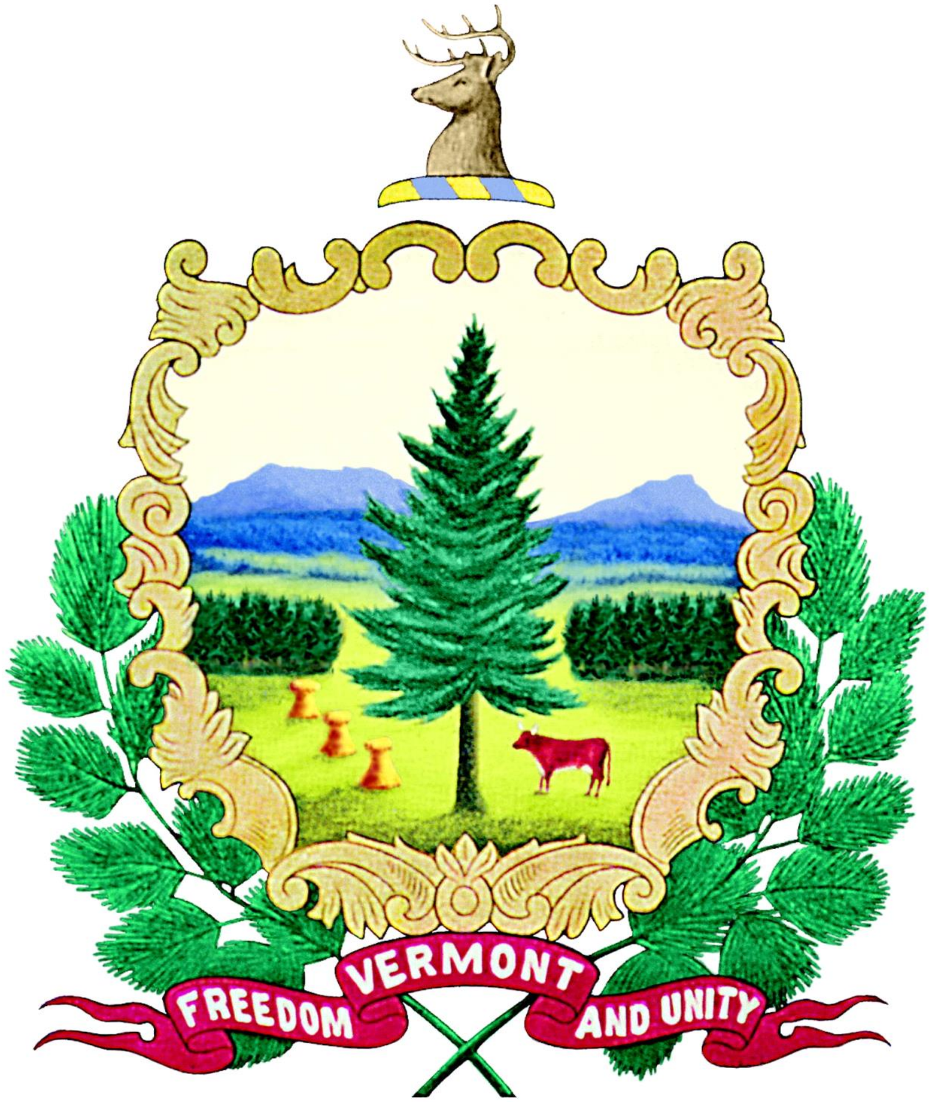
Restatement of net position

The effects of accounting changes on net position of component units were as follows:

	University of Vermont and State Agricultural College
As originally reported	$ 593,105,000
Restatements	
Restatement for a prior period adjustment as of July 1, 2019	(586,000)
Restated amount	$ 592,519,000

H. Subsequent Events

During fiscal year 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic, which continues to significantly impact global markets, supply chains, businesses and communities. Specific to the State, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, revenue loss, costs for emergency preparedness, unemployment assistance volume, and shortages of personnel. Management believes the State is taking appropriate actions to mitigate any further negative impact.



Required Supplementary Information

(Unaudited)

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 53,010	$ 51,946	$ 49,744	$ 42,704
Interest	204,548	194,127	180,860	178,959
Differences between expected and actual experience	5,123	40,476	83,266	19,283
Changes of assumptions	209,787	-	-	42,725
Benefit payments, including refunds of member contributions	(153,026)	(144,297)	(134,090)	(126,480)
Net change in total pension liability	319,442	142,252	179,780	157,191
Total pension liability, July 1	2,750,811	2,608,559	2,428,779	2,271,588
Total pension liability, June 30	3,070,253	2,750,811	2,608,559	2,428,779
Fiduciary net position				
Contributions - employer	84,430	66,618	64,564	60,280
Contributions - member	40,902	40,818	40,423	35,967
Net investment income (loss)	78,965	106,778	123,632	170,358
Benefit payments, including refunds of member contributions	(153,026)	(144,297)	(134,090)	(126,480)
Administrative expenses	(2,268)	(2,246)	(1,720)	(1,777)
Other	594	299	249	444
Net change in fiduciary net position	49,597	67,970	93,058	138,792
Fiduciary net position, beginning of year	1,909,470	1,841,500	1,748,442	1,609,650
Fiduciary net position, end of year	1,959,067	1,909,470	1,841,500	1,748,442
Net pension liability, June 30	$ 1,111,186	$ 841,341	$ 767,059	$ 680,337
Fiduciary net position as a percentage of the total pension liability	63.81%	69.41%	70.59%	71.99%
Covered payroll	$ 527,571	$ 521,671	$ 504,553	$ 471,268
Net pension liability as a percentage of covered payroll	210.62%	161.28%	152.03%	144.36%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Groups A, C, D and F (retired on or after 7/1/2008)	2.40%	2.55%	2.55%	2.55%
Group F (retired before 7/1/2008)	1.35%	1.40%	1.40%	1.40%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: single employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016		2015		2014
$	47,012	$	41,786	$	39,369
	171,563		164,405		156,635
	25,051		3,979		-
	(21,853)		62,247		-
	(120,094)		(111,396)		(104,493)
	101,679		161,021		91,511
	2,169,909		2,008,888		1,917,377
	2,271,588		2,169,909		2,008,888
	54,347		55,881		56,483
	34,055		33,296		31,746
	17,962		(8,485)		203,722
	(120,094)		(111,396)		(104,493)
	(1,467)		(1,858)		(1,158)
	(14)		177		454
	(15,211)		(32,385)		186,754
	1,624,861		1,657,246		1,470,492
	1,609,650		1,624,861		1,657,246
$	661,938	$	545,048	$	351,642
	70.86%		74.88%		82.50%
$	462,057	$	437,676	$	416,766
	143.26%		124.53%		84.37%
	7.95%		7.95%		8.22%
	3.00%		3.00%		3.00%
	3.00%		3.00%		3.00%
	1.50%		1.50%		1.50%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 40,744	$ 39,766	$ 40,117	$ 35,383
Interest	255,393	246,468	237,747	228,939
Differences between expected and actual experience	31,637	28,998	59,469	12,523
Changes of assumptions	310,968	-	(32,957)	185,849
Benefit payments, including refunds of member contributions	(201,237)	(193,197)	(182,259)	(172,156)
Net change in total pension liability	437,505	122,035	122,117	290,538
Total pension liability, July 1	3,465,113	3,343,078	3,220,961	2,930,423
Total pension liability, June 30	3,902,618	3,465,113	3,343,078	3,220,961
Fiduciary net position				
Contributions - non-employer	120,247	113,748	110,354	78,664
Contributions - member	40,599	39,075	37,889	36,142
Net investment income (loss)	83,105	109,429	125,566	173,167
Benefit payments, including refunds of member contributions	(201,237)	(193,197)	(182,259)	(172,156)
Administrative expenses	(2,815)	(2,715)	(2,084)	(2,214)
Other	7,103	5,775	4,349	4,055
Net change in fiduciary net position	47,002	72,115	93,815	117,658
Fiduciary net position, beginning of year	1,904,488	1,832,373	1,738,558	1,620,900
Fiduciary net position, end of year	1,951,490	1,904,488	1,832,373	1,738,558
Net pension liability, June 30	$ 1,951,128	$ 1,560,625	$ 1,510,705	$ 1,482,403
Fiduciary net position as a percentage of the total pension liability	50.00%	54.96%	54.81%	53.98%
Covered payroll	$ 624,908	$ 612,899	$ 607,355	$ 586,397
Net pension liability as a percentage of covered payroll	312.23%	254.63%	248.74%	252.80%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Group A	2.40%	2.55%	2.55%	2.55%
Group C	1.35%	1.40%	1.40%	1.40%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: cost sharing multiple employer with a special funding situation

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
$ 34,979	$ 33,614	$ 33,144
222,185	215,447	206,150
3,613	20,003	-
(7,224)	57,489	-
(162,751)	(150,734)	(140,846)
90,802	175,819	98,448
2,839,621	2,663,802	2,565,354
2,930,423	2,839,621	2,663,802
73,225	72,909	72,668
35,409	34,864	32,559
19,877	(7,567)	212,338
(162,751)	(150,734)	(140,847)
(1,797)	(2,259)	(26,116)
3,821	538	411
(32,216)	(52,249)	151,013
1,653,116	1,705,365	1,554,352
1,620,900	1,653,116	1,705,365
$ 1,309,523	$ 1,186,505	$ 958,437
55.31%	58.22%	64.02%
$ 557,708	$ 567,074	$ 563,623
234.80%	209.23%	170.05%
7.95%	7.95%	8.15%
3.00%	3.00%	3.00%
3.00%	3.00%	3.00%
1.50%	1.50%	1.50%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS

(Dollar amounts expressed in thousands)

(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 34,726	$ 30,744	$ 28,434	$ 27,246
Interest	67,361	61,618	56,504	54,780
Differences between expected and actual experience	8,292	17,468	14,172	(3,749)
Changes of assumptions	38,774	-	-	14,481
Changes of benefit terms	-	-	194	-
Benefit payments, including refunds of member contributions	(39,084)	(35,397)	(31,445)	(27,803)
Net change in total pension liability	110,069	74,433	67,859	64,955
Total pension liability, July 1	882,958	808,525	740,666	675,711
Total pension liability, June 30	993,027	882,958	808,525	740,666
Fiduciary net position				
Contributions - employer	20,681	19,203	17,520	16,482
Contributions - member	20,771	19,778	19,167	25,210
Net investment income (loss)	29,114	38,740	43,889	59,487
Benefit payments, including refunds of member contributions	(39,084)	(35,397)	(31,445)	(27,803)
Administrative expenses	(1,355)	(1,158)	(929)	(875)
Other	460	451	137	(6)
Net change in fiduciary net position	30,587	41,617	48,339	72,495
Fiduciary net position, beginning of year	709,466	667,849	619,510	547,015
Fiduciary net position, end of year	740,053	709,466	667,849	619,510
Net pension liability, June 30	$ 252,974	$ 173,492	$ 140,676	$ 121,156
Fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%
Covered payroll	$ 306,103	$ 289,839	$ 274,814	$ 256,730
Net pension liability as a percentage of covered payroll	82.64%	59.86%	51.19%	47.19%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Group A	1.10%	1.15%	1.15%	1.15%
Group B, C, and D	1.20%	1.30%	1.30%	1.30%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: cost sharing multiple employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
$ 25,264	$ 24,366	$ 22,519
49,744	46,058	42,139
1,088	3,046	-
12,204	19,192	-
-	-	-
(25,589)	(23,314)	(20,601)
62,711	69,348	44,057
613,000	543,652	499,595
675,711	613,000	543,652
15,236	14,136	12,806
15,227	13,588	13,234
6,777	(2,359)	64,346
(25,589)	(23,315)	(20,601)
(755)	(950)	(588)
215	279	2,143
11,111	1,379	71,340
535,904	534,525	463,186
547,015	535,904	534,526
$ 128,696	$ 77,096	$ 9,126
80.95%	87.42%	98.32%
$ 249,811	$ 230,969	$ 220,372
51.52%	33.38%	4.14%
7.95%	7.95%	8.23%
3.00%	3.00%	3.00%
1.50%	1.50%	1.50%
1.80%	1.80%	1.80%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST SEVEN YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State	2020	$ 78,944	$ 84,430	$ (5,486)	$ 527,571	16.00%
Retirement System	2019	62,985	66,618	(3,633)	521,671	12.77%
	2018	52,065	64,564	(12,499)	504,553	12.80%
	2017	48,503	60,280	(11,777)	471,268	12.79%
	2016	46,238	54,347	(8,109)	462,057	11.76%
	2015	44,652	55,881	(11,229)	437,676	12.77%
	2014	42,786	56,483	(13,697)	416,766	13.55%
State Teachers'	2020	$ 126,197	$ 126,942	$ (745)	$ 624,908	20.31%
Retirement System[2]	2019	105,641	119,175	(13,534)	612,899	19.44%
	2018	88,409	114,599	(26,190)	607,355	18.87%
	2017	82,660	82,887	(227)	586,397	14.13%
	2016	76,103	76,948	(845)	557,708	13.80%
	2015	72,858	72,909	(51)	567,074	12.86%
	2014	68,353	72,668	(4,315)	563,623	12.89%
Vermont Municipal Employees'	2020	$ 22,618	$ 20,681	$ 1,937	$ 306,103	6.76%
Retirement System	2019	17,263	19,203	(1,940)	289,839	6.63%
	2018	15,067	17,520	(2,453)	274,814	6.38%
	2017	12,896	16,482	(3,586)	256,730	6.42%
	2016	15,236	15,236	-	249,811	6.10%
	2015	14,136	14,136	-	230,969	6.12%
	2014	12,806	12,806	-	220,372	5.81%

Notes to Schedule

(1) ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior for STRS and VTRS, and one year prior for MERS.

(2) Included in the ADC is an actuarially determined contribution rate that is applied to the total earnable compensation for teachers whose funding is provided by federal grants and is paid by the employer to the STRS.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	VSRS	STRS	MERS
Valuation date			
Actuarially determined contributions rates are calculated as of June 30 two years prior for VSRS and STRS and one year prior for MERS to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.			
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected Benefit Cost
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 3% per year
Remaining amortization period	20 years	20 years	19 years
All closed basis			
Asset valuation method	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return (1)	7.50%	7.50%	7.50%
Inflation rate	2.50%	2.50%	2.50%
Projected salary increases	3.50%-7.04%	3.75%-9.09%	5.00%
Cost of living adjustments(2)	Groups A, C & D - 2.55% Group F - 1.40% Group F retiring after 7/1/2008 - 2.55%	Group A - 2.55% Group C - 1.40%	Group A - 1.15% Groups B, C & D - 1.30%

Mortality Rates

VSRS

Pre-retirement:
Group A/F - 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017
Group C - RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017
Group D - RP-2006 Healthy Employee with generational projection using Scale SSA-2017

Healthy Retiree:
Group A/F - 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017
Group C - RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017
Group D - RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:
All Groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017

STRS

Pre-retirement:
All Groups - 98% of RP-2006 White Collar Employee Table with generational projection using scale SSA-2017

Healthy Retiree:
All Groups - 98% of RP-2006 White Collar Annuitant Table with generational projection using scale SSA-2017

Disabled Retiree:
All Groups - RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017

MERS

Pre-retirement:
Groups A/B/C - 98% of RP-2006 tables, blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017
Group D - 100% of RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017

Healthy Retiree:
Groups A/B/C - 98% of RP-2006 tables, blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017
Group D - 100% of RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:
All Groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017

(1) Through the 2014 valuations, a select-and-ultimate interest rate set was used ranging from 6.25% in year 1 to 9% in years 17 and later.
For 2016 a 7.95% rate was used for MERS, for 2018 a 7.50% rate was used for MERS
For 2019 a 7.50% rate was used for VSRS and STRS

(2) Effective January 1, 2014, the Group F employees who were actively contributing into the system on June 30, 2008, and retired on or after July 1, 2008, are eligible for 100% of CPI.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST SEVEN YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

	Vermont State Retirement System			
	2020	2019	2018	2017
State's proportion of net pension liability	98.3137%	98.2187%	98.2850%	98.3625%
State's proportionate share of the net pension liability	$ 827,153	$ 753,395	$ 668,669	$ 651,099
Fiduciary net position as a percentage of the total pension liability	69.41%	70.59%	71.99%	70.86%

	State Teachers' Retirement System[2]			
	2020	2019	2018	2017
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	$ 1,560,625	$ 1,510,705	$ 1,482,403	$ 1,309,523
Fiduciary net position as a percentage of the total pension liability	54.96%	54.81%	53.98%	55.31%

[1]The amounts presented for each fiscal year were determined by an actuarial valuation on June 30 two years prior to to the fiscal year. The measurement period and measurement date is one year prior to the fiscal year.

[2]The State Teacher's Retirement System has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net pension liability.

GASB No. 68 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
98.3289%	98.2355%	98.1400%
$ 535,939	$ 345,437	$ 438,573
74.88%	82.50%	76.69%

2016	2015	2014
100%	100%	100%
$ 1,186,505	$ 958,437	$ 1,011,002
58.22%	64.02%	60.59%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN YEARS
(Unaudited)

	2020	2019	2018	2017
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	3.90%	5.90%	6.73%	10.33%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	4.10%	6.10%	6.99%	10.17%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	3.90%	5.80%	6.75%	10.88%

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
1.44%	-0.50%	14.05%
1.69%	-0.40%	13.83%
1.56%	-0.51%	14.13%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE POSTEMPLOYMENT BENEFIT TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 45,691	$ 44,590	$ 52,326	$ 66,841
Interest	45,754	49,041	54,401	46,868
Changes of benefit terms	-	-	(20,233)	-
Differences between expected and actual experience	20,361	6,284	7,140	-
Changes of assumptions	127,633	(25,551)	(303,322)	(190,151)
Benefit payments, net of retiree contributions, including administrative expense	(35,768)	(35,340)	(34,559)	(33,346)
Net change in total OPEB liability	203,671	39,024	(244,247)	(109,788)
Total OPEB liability, July 1	1,279,299	1,240,275	1,484,522	1,594,310
Total OPEB liability, June 30	1,482,970	1,279,299	1,240,275	1,484,522
Fiduciary net position				
Contributions - employer	38,600	63,750	32,957	33,123
Net investment income (loss)	3,030	1,554	872	1,372
Benefit payments, including refunds of member contributions	(35,768)	(35,340)	(34,559)	(33,346)
Administrative expenses	(3)	(2)	(1)	-
Net change in fiduciary net position	5,859	29,962	(731)	1,149
Fiduciary net position, beginning of year	51,733	21,771	22,502	21,353
Fiduciary net position, end of year	57,592	51,733	21,771	22,502
Net OPEB liability, June 30	$ 1,425,378	$ 1,227,566	$ 1,218,504	$ 1,462,020
Fiduciary net position as a percentage of the total OPEB liability	3.88%	4.04%	1.76%	1.52%
Covered payroll	$ 554,292	$ 548,512	$ 531,543	$ 497,201
Net OPEB liability as a percentage of covered-payroll	257.15%	223.80%	229.24%	294.05%

Notes to Schedule
Plan Type: single employer
Benefit changes in 2018: Medical copays were modified, and pharmacy deductible and maxiumum out of pocket expenses were increased
In 2018 the discount rate was increased from 3.58% to 3.87%
In 2019 the discount rate was decreased from 3.87% to 3.50%
In 2020 the discount rate was decreased from 3.50% to 2.23%
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 30,590	$ 20,786	$ 26,273	$ 32,511
Interest	37,030	36,139	32,838	26,425
Differences between expected and actual experience	31,061	24,665	42,621	-
Changes of assumptions	155,924	82,448	(50,192)	(33,192)
Changes of benefit terms	-	(21,209)	-	-
Benefit payments, net of retiree contributions, including administrative expense	(27,551)	(29,607)	(29,329)	(29,577)
Net change in total OPEB liability	227,054	113,222	22,211	(3,833)
Total OPEB liability, July 1	1,041,065	927,843	905,632	909,465
Total OPEB liability, June 30	1,268,119	1,041,065	927,843	905,632
Fiduciary net position				
Contributions - non-employer	35,176	56,594	29,803	23,839
Net investment income (loss)	283	31	20	41
Benefit payments, including refunds of member contributions	(27,551)	(29,607)	(29,329)	(29,348)
Administrative expenses	(2)	(263)	(279)	(229)
Other	501	-	-	-
Net change in fiduciary net position	8,407	26,755	215	(5,697)
Fiduciary net position, beginning of year	312	(26,443)	(26,658)	(20,961)
Fiduciary net position, end of year	8,719	312	(26,443)	(26,658)
Net OPEB liability, June 30	$ 1,259,400	$ 1,040,753	$ 954,286	$ 932,290
Fiduciary net position as a percentage of the total OPEB liability	0.69%	0.03%	-2.85%	-2.94%
Covered payroll	$ 624,908	$ 612,899	$ 607,355	$ 586,397
Net OPEB liability as a percentage of covered payroll	201.53%	169.81%	157.12%	158.99%

Notes to Schedule

Plan Type: cost sharing multiple employer with a special funding situation
In 2018 the discount rate was increased from 3.58% to 3.87%
In 2019 the discount rate was decreased from 3.87% to 3.50%
In 2020 the discount rate was decreased from 3.50% to 2.21%
Benefit changes in 2019:
Effective January 1, 2020, OTC, Fertility, and ED drugs will be removed from the Medicare prescription drug plan, and non-Medicare retirees will be moved to the National Preferred Formulary and Accredo Exclusive Specialty Network.
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS
(Unaudited)

	2020	2019	2018	2017
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	6.20%	6.90%	4.00%	6.50%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A

* The Retired Teachers' Health and Medical Benefits Fund has no investments.

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State Postemployment Benefit Trust Fund (VSPB)	2020	$ 87,805	$ 38,600	$ 49,205	$ 554,293	6.96%
	2019	100,188	63,750	36,438	548,512	11.62%
	2018	74,760	32,957	41,803	531,543	6.20%
	2017	71,833	33,123	38,710	497,201	6.66%
Retired Teachers' Health and Medical Benefits Fund (RTHMB)	2020	$ 58,253	$ 35,176	$ 23,077	$ 624,908	5.63%
	2019	54,659	56,594	(1,935)	612,899	9.23%
	2018	37,317	29,803	7,514	607,355	4.91%
	2017	35,918	23,839	12,079	586,397	4.07%

[1] ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior.
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Valuation date:
Actuarially determined contributions rates are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.

	VSPB	RTHMB
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll, closed basis	Level percentage of payroll, closed basis
Remaining amortization period	29 years	29 years
Asset valuation method	Market Value	Market Value
Actuarial assumptions		
Investment rate of return	7.50%	7.50%
Discount rate	3.87%	3.87%
Projected salary increases	Varies by age from age 20 - 7.04%, to age 60 - 3.50%.	Varies by age from age 20 - 9.09%, to age 60 - 3.75%
Inflation	2.75%	2.75%
Health care cost trend rates		
Non-Medicare	7.15% graded to 4.50% over 12 years	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 13 years	7.15% graded to 4.50% over 12 years

Mortality Rates
VSPB
Pre-retirement:
Group A/F - 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017
Group C - RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017
Group D - RP-2006 Healthy Employee with generational projection using Scale SSA-2017
Healthy Retiree:
Group A/F - 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017
Group C - RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017
Group D - RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017
Disabled Retiree:
All Groups - RP-2006 Disabled Mortality Table with generational projections using Scale SSA-2017
RTHMB
Pre-retirement:
All Groups - 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017
Healthy Retiree:
All Groups - 98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017
Disabled Retiree:
All Groups - RP-2014 Disabled Mortality Table with generational projections using Scale SSA-2017

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST THREE FISCAL YEARS[(1)]
(Dollar amounts expressed in thousands)
(Unaudited)

Vermont State Postemployment Benefit Trust Fund

	2020	2019	2018
State's proportion of net OPEB liability	98.9933%	98.2292%	98.2979%
State's proportionate share of the net OPEB liability	$ 1,215,208	$ 1,196,927	$ 1,437,135
Fiduciary net position as a percentage of the total OPEB liability	4.04%	1.76%	1.52%

Retired Teachers' Health and Medical Benefits Fund[(2)]

	2020	2019	2018
State's proportion of net OPEB liability	100%	100%	100%
State's proportionate share of the net OPEB liability	$ 1,040,753	$ 954,286	$ 932,290
Fiduciary net position as a percentage of the total OPEB liability	0.03%	-2.85%	-2.94%

[(1)]The amounts presented for each fiscal year were determined as of the measurement date. The measurement period and measurement date is one year prior to the fiscal year.

[(2)]The Retired Teachers' Health and Medical Benefits Fund has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net OPEB liability.

GASB No. 75 required supplementary information is not available for fiscal years prior to 2018. Data for future years will be added prospectively.

See Independent Auditors' Report.

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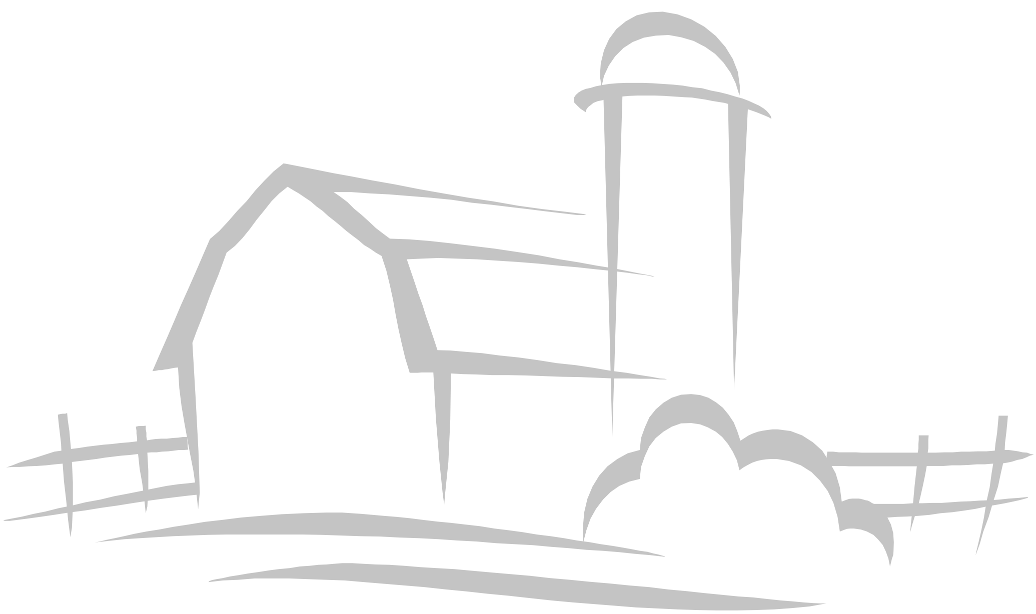

Vermont

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,494,410,000	$ 1,512,770,000	$ 1,381,830,473	$ (130,939,527)
Earnings of Departments	46,900,000	46,300,000	44,742,417	(1,557,583)
Other	34,830,000	35,530,000	32,647,760	(2,882,240)
Total revenues	1,576,140,000	1,594,600,000	1,459,220,650	(135,379,350)
Expenditures				
General Government				
Agency of Administration	56,146,137	51,835,592	48,204,734	(3,630,858)
Agency of Digital Services	179,238	2,527,364	1,845,704	(681,660)
Executive Office	1,658,582	1,834,949	1,513,910	(321,039)
Legislative Council	13,610,685	14,212,735	12,563,878	(1,648,857)
Joint Fiscal Office	2,023,053	2,888,353	2,438,762	(449,591)
Sergeant at Arms	863,204	956,480	899,277	(57,203)
Lieutenant Governor's Office	263,133	267,049	262,472	(4,577)
Auditor of Accounts	404,513	453,284	305,216	(148,068)
State Treasurer	981,483	1,209,349	742,261	(467,088)
State Labor Relations Board	259,233	264,809	246,068	(18,741)
VOSHA Review Board	46,175	72,337	39,985	(32,352)
Homeowner Property Tax Assistance	16,600,000	17,591,901	16,621,013	(970,888)
Renter Rebate Tax Assistance	9,500,000	10,593,434	9,651,471	(941,963)
Protection to Persons and Property				
Attorney General	8,148,752	8,589,496	7,817,162	(772,334)
Defender General	18,456,675	18,732,872	18,390,809	(342,063)
Judiciary	46,742,395	51,974,698	45,095,776	(6,878,922)
State's Attorneys and Sheriffs	19,374,276	20,752,471	19,200,801	(1,551,670)
Department of Public Safety	52,173,561	55,058,230	52,842,019	(2,216,211)
Military Department	5,516,066	5,956,190	4,714,284	(1,241,906)
Center for Crime Victim Services	1,264,158	1,380,243	1,349,816	(30,427)
Criminal Justice Training Council	2,488,016	2,583,682	2,572,707	(10,975)
Agency of Agriculture, Food and Markets	8,831,510	12,324,777	9,818,158	(2,506,619)
Secretary of State	-	450,000	-	(450,000)
Public Service Department	350,000	350,000	350,000	-
Human Rights Commission	628,256	664,401	555,090	(109,311)
Human Services				
Agency of Human Services	993,326,403	986,894,850	954,032,789	(32,862,061)
Green Mountain Care Board	3,192,315	4,050,536	2,825,011	(1,225,525)
Governor's Commission on Women	390,631	524,910	491,598	(33,312)
Human Services Board	451,554	543,753	375,038	(168,715)
Vermont Veterans' Home	345,783	2,445,783	445,341	(2,000,442)
Labor				
Department of Labor	4,569,407	6,525,369	3,958,350	(2,567,019)
General Education				
Agency of Education	14,727,016	15,987,976	14,407,875	(1,580,101)
State Teacher's Retirement	144,533,820	144,533,820	144,533,820	-
Higher Education	91,796,726	93,116,726	93,116,726	-

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	28,971,895	31,023,524	29,487,145	(1,536,379)
Natural Resources Board	637,074	637,074	637,074	-
Commerce and Community Development				
Agency of Commerce and Community Development	15,042,215	21,537,618	15,050,459	(6,487,159)
Cultural Development	2,062,718	2,115,949	2,115,949	-
Housing and Conservation Board	-	500,000	87,500	(412,500)
Total expenditures	1,566,556,658	1,593,962,584	1,519,606,048	(74,356,536)
Excess of revenues over expenditures	9,583,342	637,416	(60,385,398)	(61,022,814)
Other Financing Sources (Uses)				
Transfers in	38,105,322	159,836,574	159,836,574	-
Transfers out	(79,043,324)	(86,210,372)	(86,210,372)	-
Premium on sale of bonds	5,279,530	5,279,530	5,279,530	-
Refunding bonds issued	39,202,429	39,202,429	39,202,429	-
Payment to escrow agent	(44,481,959)	(44,481,959)	(44,481,959)	-
Total other financing sources (uses)	(40,938,002)	73,626,202	73,626,202	-
Excess of revenues and other sources over (under) expenditures and other uses	(31,354,660)	74,263,618	13,240,804	(61,022,814)
Fund balance, July 1	289,176,988	289,176,988	289,176,988	-
Fund balance, June 30	$ 257,822,328	$ 363,440,606	$ 302,417,792	$ (61,022,814)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 173,700,000	$ 173,500,000	$ 160,746,693	$ (12,753,307)
Motor vehicle fees	86,100,000	86,800,000	83,638,270	(3,161,730)
Federal	319,145,747	343,088,788	287,275,789	(55,812,999)
Other	41,400,000	39,900,000	38,140,281	(1,759,719)
Total revenues	620,345,747	643,288,788	569,801,033	(73,487,755)
Expenditures				
General Government				
Agency of Administration	6,387,636	3,880,184	3,880,184	-
Protection to Persons and Property				
Department of Public Safety	20,250,000	20,501,432	20,034,659	(466,773)
Transportation				
Agency of Transportation	591,662,397	597,159,323	566,031,858	(31,127,465)
Total expenditures	618,300,033	621,540,939	589,946,701	(31,594,238)
Excess of revenues over (under) expenditures	2,045,714	21,747,849	(20,145,668)	(41,893,517)
Other financing sources (uses)				
Transfers out	(5,325,113)	(5,325,113)	(5,325,113)	-
Total other financing sources (uses)	(5,325,113)	(5,325,113)	(5,325,113)	-
Excess of revenues and other sources over (under) expenditures and other uses	(3,279,399)	16,422,736	(25,470,781)	(41,893,517)
Fund balance, July 1	31,029,789	31,029,789	31,029,789	-
Fund balance (deficit), June 30	$ 27,750,390	$ 47,452,525	$ 5,559,008	$ (41,893,517)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,666,838,910	$ 1,672,538,910	$ 1,654,831,347	$ (17,707,563)
Interest and premiums	700,000	700,000	838,313	138,313
Total revenues	1,667,538,910	1,673,238,910	1,655,669,660	(17,569,250)
Expenditures				
General Government				
Grand List	-	362,405	171,457	(190,948)
General Education				
Agency of Education	1,719,987,983	1,737,254,771	1,702,157,402	(35,097,369)
State Teachers' Retirement	6,781,221	6,781,221	6,781,221	-
Total expenditures	1,726,769,204	1,744,398,397	1,709,110,080	(35,288,317)
Excess of revenues over (under) expenditures	(59,230,294)	(71,159,487)	(53,440,420)	17,719,067
Other financing sources (uses)				
Transfers in	39,351,739	39,351,739	39,351,739	-
Total other financing sources (uses)	39,351,739	39,351,739	39,351,739	-
Excess of revenues and other sources over (under) expenditures and other uses	(19,878,555)	(31,807,748)	(14,088,681)	17,719,067
Fund balance, July 1	82,355,531	82,355,531	82,355,531	-
Fund balance, June 30	$ 62,476,976	$ 50,547,783	$ 68,266,850	$ 17,719,067

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 379,805,558	$ 811,082,386	$ 608,455,159	$ (202,627,227)
Total revenues	379,805,558	811,082,386	608,455,159	(202,627,227)
Expenditures				
General Government				
Agency of Administration	18,406,218	38,911,042	19,611,554	(19,299,488)
Agency of Digital Services	383,707	739,452	451,254	(288,198)
Executive Office	186,500	186,500	180,689	(5,811)
Joint Fiscal Office	-	121,193	80,025	(41,168)
Sergeant at Arms	-	38,948	5,579	(33,369)
Auditor of Accounts	53,145	241,960	166,960	(75,000)
State Treasurer	3,089,050	3,631,621	3,560,467	(71,154)
State Labor Relations Board	9,576	9,576	5,467	(4,109)
VOSHA Review Board	46,175	46,175	44,753	(1,422)
Unorganized Towns and Gores	-	480,000	364,054	(115,946)
Ethics Commission	-	60,946	-	(60,946)
Protection to Persons and Property				
Attorney General	5,653,931	6,902,154	6,257,736	(644,418)
Defender General	589,653	739,653	723,182	(16,471)
Judiciary	5,344,048	12,379,048	4,156,991	(8,222,057)
State's Attorneys and Sheriffs	2,787,885	2,787,885	2,561,587	(226,298)
Department of Public Safety	20,505,785	24,404,598	20,655,328	(3,749,270)
Military Department	207,218	2,108,414	1,821,680	(286,734)
Center for Crime Victim Services	5,342,728	5,351,499	4,676,552	(674,947)
Criminal Justice Training Council	204,625	351,394	321,264	(30,130)
Agency of Agriculture, Food and Markets	13,935,170	17,323,435	13,516,117	(3,807,318)
Department of Financial Regulation	15,673,483	16,061,393	15,310,614	(750,779)
Secretary of State	11,394,045	12,100,061	11,635,084	(464,977)
Public Service Department	13,457,207	16,346,502	9,015,995	(7,330,507)
Public Utility Commission	3,757,500	3,914,081	3,911,429	(2,652)
Enhanced 911 Board	4,912,414	5,315,029	5,237,228	(77,801)
Department of Liquor and Lottery	218,843	334,760	200,292	(134,468)
Human Services				
Agency of Human Services	182,526,956	480,361,000	400,704,488	(79,656,512)
Green Mountain Care Board	4,788,473	5,274,540	4,150,682	(1,123,858)
Governor's Commission on Women	2,500	2,500	216	(2,284)
Human Services Board	22,526	12,526	-	(12,526)
Labor				
Department of Labor	8,462,147	9,866,429	4,257,198	(5,609,231)
General Education				
Agency of Education	19,751,693	21,658,267	18,582,392	(3,075,875)

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	67,448,045	98,445,289	58,535,342	(39,909,947)
Natural Resources Board	2,645,953	2,645,953	2,429,384	(216,569)
Commerce and Community Development				
Agency of Commerce and Community Development	7,353,171	14,172,610	6,044,948	(8,127,662)
Cultural Development	-	32,078	32,078	-
Transportation				
Agency of Transportation	3,199,815	8,501,898	4,852,564	(3,649,334)
Total expenditures	422,360,185	811,860,409	624,061,173	(187,799,236)
Excess of revenues over expenditures	(42,554,627)	(778,023)	(15,606,014)	(14,827,991)
Other Financing Sources (Uses)				
Proceeds on sale of refunding bonds	-	322,571	322,571	-
Transfers in	64,883,026	67,976,102	67,976,102	-
Transfers out	(22,328,399)	(67,198,079)	(67,198,079)	-
Total other financing sources (uses)	42,554,627	1,100,594	1,100,594	-
Excess of revenues and other sources over (under) expenditures and other uses	-	322,571	(14,505,420)	(14,827,991)
Fund balance, July 1	193,690,178	193,690,178	193,690,178	-
Fund balance, June 30	$ 193,690,178	$ 194,012,749	$ 179,184,758	$ (14,827,991)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 1,741,075,364	$ 2,308,038,417	$ 2,934,890,081	$ 626,851,664
Interest and premiums	-	283,058	283,058	-
Other	-	67,533	67,533	-
Total revenues	1,741,075,364	2,308,389,008	2,935,240,672	626,851,664
Expenditures				
General Government				
Agency of Administration	1,116,678	55,575,580	4,064,818	(51,510,762)
Agency of Digital Services	-	1,585,418	405,766	(1,179,652)
Executive Office	-	305,000	298,315	(6,685)
Legislative Council	-	750,000	-	(750,000)
Seargent at Arms	-	600,000	-	(600,000)
State Treasurer	-	2,932,894	232,894	(2,700,000)
Protection to Persons and Property				
Attorney General	1,256,355	1,426,355	1,304,117	(122,238)
Defender General	-	534,174	138,236	(395,938)
Judiciary	887,586	5,798,086	601,744	(5,196,342)
State's Attorneys and Sheriffs	31,000	1,281,164	273,632	(1,007,532)
Department of Public Safety	14,881,272	33,748,732	26,076,124	(7,672,608)
Military Department	21,266,703	33,636,102	23,362,950	(10,273,152)
Center for Crime Victim Services	9,682,330	9,957,330	7,167,495	(2,789,835)
Criminal Justice Training Council	-	14,491	14,491	-
Agency of Agriculture, Food and Markets	3,636,220	4,162,438	3,836,256	(326,182)
Department of Financial Regulation	-	215,000	200,236	(14,764)
Secretary of State	2,153,524	8,168,524	1,771,070	(6,397,454)
Public Service Department	1,454,243	2,085,335	1,194,379	(890,956)
Enhanced 911 Board	-	33,599	27,348	(6,251)
Human Rights Commission	75,291	120,297	119,930	(367)
Department of Liquor and Lottery	184,484	186,789	142,913	(43,876)
Human Services				
Agency of Human Services	1,411,157,843	1,630,535,291	1,487,586,289	(142,949,002)
Green Mountain Care Board	-	29,305	29,305	-
Human Services Board	332,018	413,663	244,340	(169,323)
Labor				
Department of Labor	31,540,700	64,346,582	34,904,969	(29,441,613)
General Education				
Higher Education	-	26,307,000	26,307,000	-
Agency of Education	131,488,559	186,880,045	134,515,658	(52,364,387)
Natural Resources				
Agency of Natural Resources	46,182,691	61,715,931	34,041,703	(27,674,228)
Natural Resources Board	-	19,227	12,333	(6,894)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development	11,592,110	44,465,864	9,172,814	(35,293,050)
Housing and Conservation Board	-	23,000,000	-	(23,000,000)
Transportation				
Agency of Transportation	-	3,869,156	1,378,629	(2,490,527)
Total expenditures	1,688,919,607	2,204,699,372	1,799,425,754	(405,273,618)
Excess of revenues over expenditures	52,155,757	103,689,636	1,135,814,918	1,032,125,282
Other Financing Sources (Uses)				
Transfers out	(52,155,757)	(103,339,045)	(103,339,045)	-
Total other financing sources (uses)	(52,155,757)	(103,339,045)	(103,339,045)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	350,591	1,032,475,873	1,032,125,282
Fund balance, July 1	34,294,683	34,294,683	34,294,683	-
Fund balance, June 30	$ 34,294,683	$ 34,645,274	$ 1,066,770,556	$ 1,032,125,282

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,619,988,025	$ 1,616,828,123	$ 1,584,840,976	$ (31,987,147)
Total revenues	1,619,988,025	1,616,828,123	1,584,840,976	(31,987,147)
Expenditures				
Human Services				
Agency of Human Services	1,590,055,367	1,586,886,685	1,555,042,207	(31,844,478)
Green Mountain Care Board	-	8,780	-	(8,780)
General Education				
Higher Education	2,433,195	2,433,195	2,433,195	-
Agency of Education	260,000	260,000	211,969	(48,031)
Total expenditures	1,592,748,562	1,589,588,660	1,557,687,371	(31,901,289)
Excess of revenues over (under) expenditures	27,239,463	27,239,463	27,153,605	(85,858)
Other financing sources (uses)				
Transfers out	(27,239,463)	(27,239,463)	(27,239,463)	-
Total other financing sources (uses)	(27,239,463)	(27,239,463)	(27,239,463)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(85,858)	(85,858)
Fund balance, July 1	101,899	101,899	101,899	-
Fund balance, June 30	$ 101,899	$ 101,899	$ 16,041	$ (85,858)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

Notes to the Required Supplementary Information—Budgetary Reporting (unaudited)

Budgetary Comparison Schedules
The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State's legal level of budgetary control is at the activity level. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 4th Floor, Pavilion Building, Montpelier, Vermont 05609-0401.

Budgetary Process
Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Revenue Estimates
By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special and Federal Revenue Funds the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets
The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which

establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature. The full faith and credit of the State has been pledged to support various programs. Any payments that are required to be made by the Treasurer are paid in accordance with Vermont Statutes and do not require an appropriation by the Legislature.

Budgetary and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budgetary basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance - budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances - governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2020:

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis	$ 302,417,792	$ 5,559,008	$ 68,266,850	$ 179,184,758	$1,066,770,556	$ 16,041
Basis differences						
Cash not in budget balances	(63,391,680)	(5,101,372)	28,495	915,867	5,859	(16,128)
Taxes receivable	292,534,100	346,618	60,955,857	1,711,462	-	-
Notes and loans receivable	291,100	-	-	3,064,116	-	-
Other receivables	(2,273,121)	10,287,810	1,978,958	17,512,629	(2,032,461)	34,135,820
Interest receivable	163,254	-		-	-	-
Due from other funds	3,772,477	23,079	391,754	4,956,309	2,164,772	67,598,747
Due from federal government	-	35,060,471	-	-	150,507,512	80,821,869
Due from component units	2,067,410	-	-	-	-	-
Interfund receivable	61,478,832	5,077,613	-	-	51,183,289	-
Advances to other funds	(203,046)	-	-	-	-	-
Advances to component units	5,500,000	-	-	-	-	-
Other current assets	-	-	-	1,637,000	(678,208)	-
Accounts payable	(19,833,350)	(24,935,506)	(24,588,761)	(16,142,436)	(79,818,334)	(144,715,242)
Accrued liabilities	(26,317,042)	(7,569,915)	-	(6,520,794)	(12,500,742)	(1,795,768)
Retainage payable	(266,201)	(81,594)	-	(562,966)	(483,462)	-
Unearned revenue	(6,788,047)	(23,937)	-	(349,879)	(1,096,877,878)	-
Tax refunds payable	(34,972,916)	-	(216,711)	(713)	-	-
Interfund payable	(51,183,289)	-	-	-	-	(10,800)
Intergovernmental payables - federal government	-	-	-	-	(8,924,784)	-
Due to other funds	(70,889,145)	(6,987,866)	(33,000)	(7,744,357)	(13,031,197)	(2,138,287)
Due to component units	(412,500)	-	-	-	-	-
Unavailable revenue	(127,225,645)	(10,006,077)	(10,619,080)	(19,489,875)	(162,736)	(4,837,492)
Entity differences						
Blended non-budgeted funds	-	3,912,368	-	8,437,453	416,662,452	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	(4,435)	(80,183)	-
Fund Balance - GAAP Basis	$ 264,468,983	$ 5,560,700	$ 96,164,362	$ 166,604,139	$ 472,704,455	$ 29,058,760

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State of Vermont (the "Issuer") in connection with the issuance of its General Obligation Bonds, 2021 Series A (the "Series A Bonds"), its General Obligation Refunding Bonds, 2021 Series B (the "Series B Bonds") and its General Obligation Refunding Bonds, 2021 Series C (Vermont Citizen Bonds) (the "Series C Bonds," and together with the Series A Bonds and the Series B Bonds, the "Bonds"). The Bonds are being issued by the State Treasurer, with the approval of the Governor, for various capital purposes of the State pursuant to Chapter 13 of Title 32 of the Vermont Statutes Annotated, as amended and pursuant to specific Acts of the General Assembly. The Issuer covenants and agrees for the benefit of the Beneficial Owners of the Bonds as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

SECTION 2. Definitions. The following capitalized terms shall have the following meanings when used herein:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the State Treasurer or his or her designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean the State Treasurer, or any successor Dissemination Agent designated in writing by the Issuer and that has filed with the Issuer a written acceptance of such designation.

"Holder" or "Bondholder" means the registered owner of a Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information for the MSRB is set forth in Exhibit B hereto.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Vermont.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, within one year after the end of the Issuer's fiscal year (presently June 30), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall promptly file a notice of such change with the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

Item 1. The audited financial statements of the Issuer for the most recently ended fiscal year were prepared in accordance with GAAP as promulgated to apply to governmental entities by the Governmental Accounting Standards Board. The future audited financial statements of the Issuer will be prepared either in accordance with GAAP as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board or using the modified cash basis of accounting which recognizes transactions only when cash changes hands. If the Issuer's audited financial statements are not completed by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements of the Issuer shall be filed in the same manner as the Annual Report when they become available; and

Item 2. Information concerning the Issuer's operations by updating the financial and operating data contained in the sections entitled "State Funds and Revenues," "Recent General Fund, Transportation Fund and Education Fund Operating Results," "Major Government Programs and Services," "Governmental Funds Operations," "State Indebtedness" and "Pension Plans" in the Official Statement of the State for the Bonds dated April 27, 2021, with respect to the Series A Bonds and Series B Bonds, and April 29, 2021, with respect to the Series C Bonds.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB's Internet Web site or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults, if material.

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties.

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties.

(v) substitution of the credit or liquidity providers or their failure to perform.

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) modifications to rights of Bondholders, if material.

(viii) optional, contingent or unscheduled calls of bonds, if material, and tender offers.

(ix) defeasances.

(x) release, substitution or sale of property securing repayment of the Bonds, if material.

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer.[†]

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondholders, if material.[*]

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.[*]

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the State Treasurer.

[†] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

[*] For purposes of event numbers (xv) and (xvi) in Section 5(a) of this Disclosure Certificate, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided pursuant to the terms of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the Issuer shall promptly file a notice of such change with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default pursuant to the terms of the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 18, 2021

STATE OF VERMONT, as Issuer

By: ____
Elizabeth A. Pearce
Treasurer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: State of Vermont

Name of Bond Issue: General Obligation Bonds, 2021 Series A
General Obligation Refunding Bonds, 2021 Series B and
General Obligation Refunding Bonds, 2021 Series C (Vermont Citizen Bonds)

Date of Issuance: May 18, 2021

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated May 18, 2021. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: ____________

STATE OF VERMONT, as Issuer

By: ____

EXHIBIT B

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

http://emma.msrb.org

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FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF OPINION OF BOND COUNSEL

(Date of Delivery)

The Honorable Philip B. Scott
Governor of Vermont
The State Capitol
109 State Street
Montpelier, Vermont 05609

$82,185,000
State of Vermont
General Obligation Bonds, 2021 Series A
Dated Date of Delivery

and

$31,560,000
State of Vermont
General Obligation Refunding Bonds, 2021 Series B
Dated Date of Delivery

and

$39,580,000
State of Vermont
General Obligation Refunding Bonds, 2021 Series C
(Vermont Citizen Bonds)
Dated Date of Delivery

We have acted as bond counsel to the State of Vermont (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State, and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is exempt from Vermont personal income taxes and Vermont corporate income taxes. We express no opinion regarding any other Vermont tax consequences arising

with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Vermont.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

STATE OF VERMONT • General Obligation Bonds 2021 Series A (Competitive), Series B (Competitive) and Series C (Vermont Citizen Bonds) (Negotiated)

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